J3812

A SUMMARY ANALYSIS

OF THE

APRE/I REVOLVING FUND

March 1991

MANAGEMENT SYSTEMS INTERNATIONAL

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A SUMMARY ANALYSIS OF THE APRE/I REVOLVING FUND

TABLE OF CONTENTS

ACRONYMS

APRE/I	Bureau for Asia & Private Enterprise Office of Investment
IFI	Intermediate Financial Institutions
LPG	Loan Portfolio Guarantee Program
SMSE	Small and Medium Scale Enterprises

A SUMMARY ANALYSIS OF THE APRE/I REVOLVING FUND

I. INTRODUCTION

This summary analysis of A.I.D.'s Revolving Fund investment project was completed for the Office of Program Review of the Bureau for Private Enterprise (PRE) in March of 1991. It is a summary of the results of 17 evaluations of PRE investment projects conducted over the last five years.

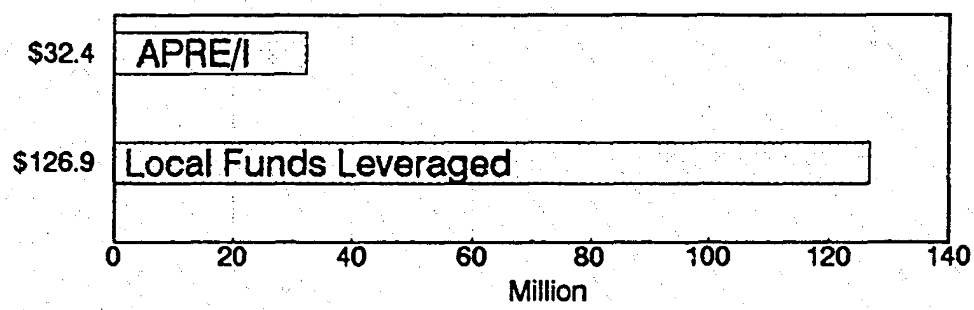
The objective of this analysis is to summarize the institutional impact of the program on the intermediate financial institutions that participated in the program and the direct development impact on the small and medium scale enterprises that were borrowers under the program.

The methodology used in this analysis was to review all of the detailed evaluations conducted, review the vignettes stories written from interviews of a sampling of the borrowers who were beneficiaries of the program and summarize the results. The data and information was assembled in a way that it is easy to understand and move through the report from general to more specific information. The manner in which the report was designed and the material was collected was highly interactive. Meetings were held on a regular basis with the management, regional loan officers and staff of the Office of Investment (APRE/I).

This analysis does not cover every loan made to IFI clients under the Revolving Fund. It does, however, cover a substantial sampling of the subborrowers and all of the IFIs.

The development impact of the APRE/I Revolving Fund on intermediate financial institutions and SMSE borrowers has been significant. The objectives of the program have been met. The practices and behavior of banks and other financial institutions in the private sector of the developing countries served, have demonstrated that their markets can be expanded to rural areas, lending floors can be lowered, collateral requirements reduced, leverage increased, competitive positions enhanced and more.

ESTIMATED DEVELOPMENT IMPACTS OF APRE/I PRIVATE SECTOR REVOLVING FUND LOAN GUARANTEES AND DIRECT LOANS



LOAN GUARANTEES AND DIRECT LOANS:	
APRE/I Loan Guarantees and Direct Loans	$32.4 million[1]
Funds Leveraged by Loan Guarantees	$126.9 million[2]
Leverage Ratio	5.8:1[3]
Average Turnover of Funds	4.2-5.7 times[4]
EMPLOYMENT GENERATION:	
1 Job created for every $5,862 of AID resources[5]	
Jobs Created	5,521[6]
Jobs Created for Women	1,764[7]
SALES INCREASE:	
Average Increase in Sales of Borrowers	35.8%[8]

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[1]Source: APRE/I Revolving Fund Portfolio, Summary of Action Facilities as of December 31, 1990 (dated 1/14/91).

[2]Based on nine projects.

[3]5.8 based on nine active LPG projects with a contingent liability of 22 million.

[4]4.2 represents overall average of nine projects, 5.7 is the weighted average based on the size of these guaranty facilities.

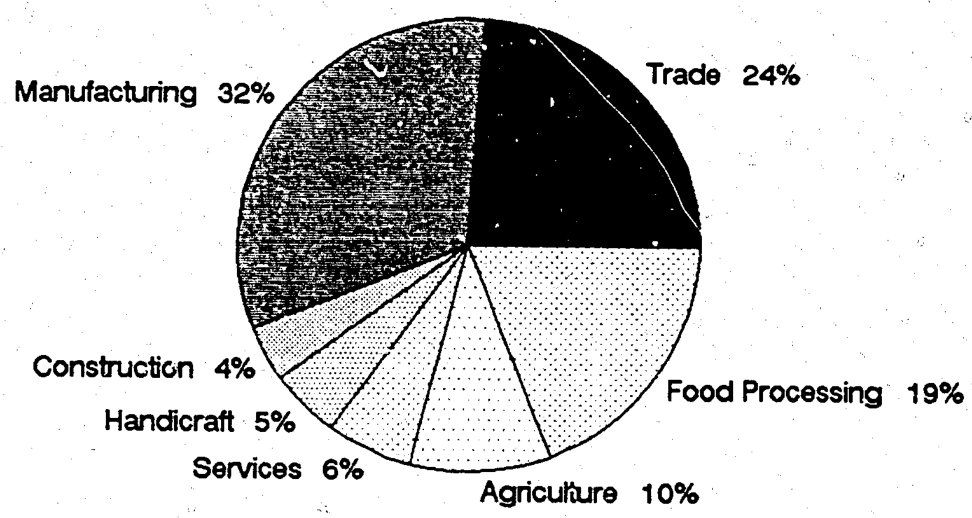
[5]Based on 13 projects → (AID's contingent liability associated with total job creation) ÷ Σ total jobs generated.

[6]Value of active loan guarantees and direct loans ÷ $5,862.

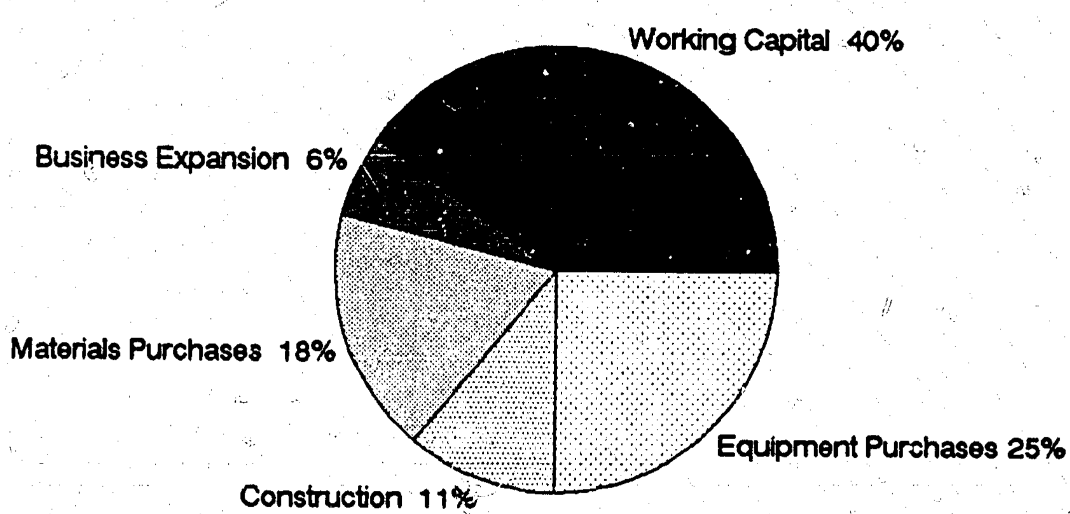
[7](Value of active loan guarantees and direct loans) ÷ (AID's contingent liability associated with female job creation) ÷ Σ female jobs generated.

[8]Weighted average based on 60 observations of sales change in four projects.

Borrowers By Sector



Use of Funds By Borrowers*



* Based on 606 Loans.

II. HOW THE LOAN GUARANTEE PROGRAM WORKS

The APRE/I Loan Guarantee Program (LPG) provides a 50% guarantee to Intermediate Financial Institutions (IFIs) that, in turn, onlend to small and medium scale enterprise (SMSE) subborrowers.

Following is a summary of the terms of the agreement:

Eligibility - for borrowers requirements like productive enterprises, a maximum asset amount or export orientation are part of the agreement with the IFI.

Interest - IFI pays interest on outstanding balance of principle at a predetermined rate.

Terms - are negotiated with each bank, for example, IFI makes principle payments over 3 to 5 year period usually in annual installments.

Risk - IFI assumes 50% of the risk of default by subborrowers. APRE/I assumes the other 50% of the risk.

Fees - IFI pays fees for stand-by letters of credit, collateral account and, in come cases a facility establishment fee.

Following is a step-by-step summary of how the LPG works:

1. LPG - determines eligibility requirements for onlending to borrowers, i.e., for non-traditional export producers, labor intensive industries, businesses with a concentration of women employees, etc.

2. IFI - establishes a loan fund in local currency equal to the LPG guarantee contribution to be made by APRE/I in dollars U.S. at the prevailing free market exchange rate.

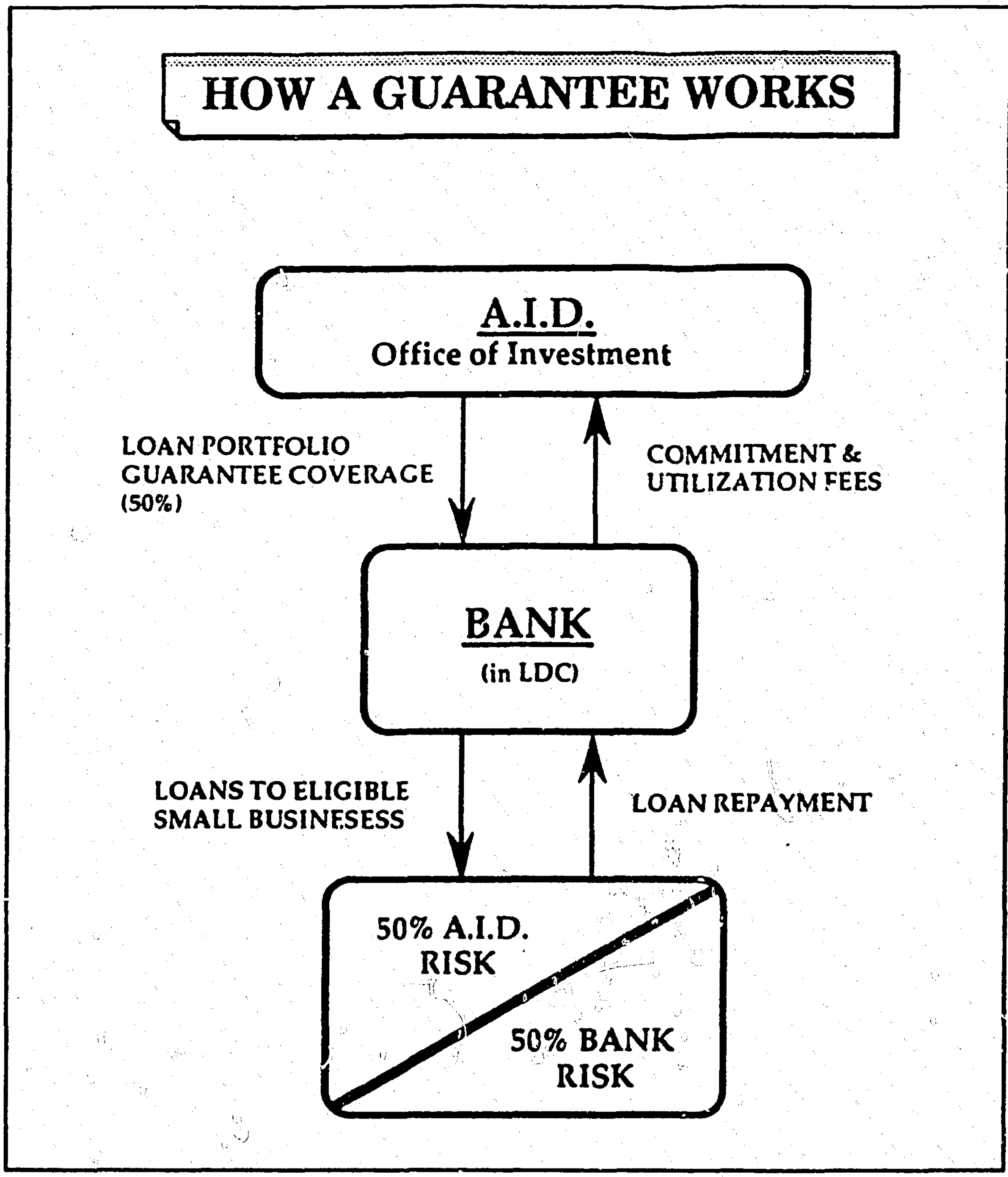
3. LPG - deposits loan proceeds into a collateral account with a corresponding U. S. depository bank. The U.S. depository bank is authorized by APRE/I to invest the proceeds in investments which are approved by APRE/I, and pays earnings on the account to A.I.D.

4. IFI - lends local currency to SMSEs against stand-by letters of credit issued by the U.S. bank. The stand-by letters of credit serve as a guarantee for the onlending.

5. U.S. Depository Bank - pays interest on the amount of loan proceeds placed by APRE/I.

6. IFI - pays U.S. depository bank for stand-by letter of credit equal to 50% of the face value of the loans it lends to SMSEs.

The guaranty facility model involves a dollar loan from AID to a U.S. bank which uses these loan proceeds as backing or collateral for a standby letter of credit it issues to a bank (IFI) in the host country. That letter of credit pledges the U.S. bank to guarantee repayment of loans that the local IFI makes, using its own resources. The host country IFI then extends loan to a target group of borrowers. Only if one of these borrowers defaults would a foreign exchange transaction occur; the U.S. bank would pay the host country IFI for the portion of the loan which it guaranteed, in this case 50 percent, and would be reimbursed for that payment by a reduction in its principal repayment obligation on its AID loan.


HOW A GUARANTEE WORKS
A.I.D.
Office of Investment
LOAN PORTFOLIO
GUARANTEE COVERAGE
(50%)
COMMITMENT &
UTILIZATION FEES
BANK
(in LDC)
LOANS TO ELIGIBLE
SMALL BUSINESESS
LOAN REPAYMENT
50% A.I.D.
RISK
50% BANK
RISK

III. SUMMARY OF DEVELOPMENT IMPACT

The most important lesson learned is that commercial institutions, particularly financial institutions, can be used to achieve development objectives even though their main concern is generating profits. The Revolving Fund has clearly demonstrated that profit can be generated and, at the same time, significant development impact can be achieved. Indeed, if development is to be sustained without donor support, these two objectives must coincide. It is up to A.I.D. to select private partners and to design private sector development program that meet both private profit requirements and public development goals. The PRE/I Revolving Fund is just such a program.

A. Institutional Impact

A.I.D.'s credit projects are a small fraction of total funds available for investment in any country. Program designers and managers must therefore use A.I.D. resources strategically, to maximize long run effects. This means they should use credit projects to bring about institutional change. Through institutional change, A.I.D. can, in effect, leverage the larger pool of private investment resources over a longer period of time. The development benefits produced by leveraged funds may far exceed the direct benefits produced by A.I.D.'s loan funds. Leverage here is not used in the narrow sense of funds required to be contributed in conjunction with A.I.D. funds, but in the broad sense of funds that A.I.D. influences through demonstration or policy change.
Institutional development takes place at several levels: first, in the financial institution that A.I.D. works with during the project implementation; second, in other financial institutions that learn from observation; and perhaps third, in the institutions that make financial market policy, such as the central bank, ministry of finance, and others. The intent at each level should be to convince private institutions that they can profitably offer services and credit products that result in greater direct development benefits after A.I.D. assistance has ended.

The development impact on the intermediate financial institutions that participated in the program are significant. Following is a summary of the development impact on the IFIs:

1. Lending to SMSEs increased. Many of the IFIs participating in this program had not been lending to small and medium scale businesses and those that had were limiting their exposure to well known clients and in the urban and capital city areas. The availability of the guarantee facility has provided the security incentive necessary for the IFIs to reach outside of their traditional markets.

2. Branch lending in rural areas increased. The LGP has assisted the IFIs in their outreach efforts to make loans available to rural areas. With the guarantee risk was reduced and the willingness to venture outside of traditional areas may have been increased. Defaults have proven to be no greater in rural areas than they are in traditionally urban areas.

3. Collateral requirements previously used have been reduced. In some case IFIs had traditionally been requiring collateral of two to one or more. These collateral requirements were difficult for most SMSEs to meet and therefore left them out of the financial market to meet their borrowing needs for expansion, working capital or raw materials purchases.

4. Loans made based on cash flow analysis. Some banks and IFIs do not have the ability to analyze the business plans and projections of potential borrowers and since loans were made largely on experience with the client and client collateral available to secure the loan, some reliable borrowers did not have access to financial markets. Several grants were made to institutions to train loan officers to conduct cash flow analysis and determine creditworthiness based on the merits of the projects therefore making loans practical.

5. Loan terms extended. With the guarantee risk was reduced and willingness to adventure outside traditional areas was reduced. Although most loans were made for short-term working capital, confidence of the IFIs is enhanced to the point where longer term loans are being offered. Longer term loans were extended where inflation was mild.

6. Exposure limits in certain industries and sectors increased. The reduction of collateral requirements and the increase in ability to conduct cash flow and financial analysis have enabled IFIs to examine a larger segment of the market to judge the merits of individual projects. Other issues such as business experience, financial discipline, planning and profit viability were also considered.

7. Leverage increased. The risk of lending was reduced by 50% with the guarantee. In the case of direct loans, additional resources was made available in the event that the IFI has limited liquidity.

8. Competitive edge enhanced. The IFIs that participated in the program enlarged their markets, increased their ability to lend and gained valuable experience in a new market segment increasing their competitiveness.

B. Direct Development Impact

Private sector credit projects achieve direct development objectives through the effect of credit on the target businesses. Credit should enable businesses to begin or expand production, thus contributing to development goals such as increasing national income, employment, and in some cases foreign exchange earnings (or savings). Expanded production often has a ripple effect that extends to businesses linked to the target business, as suppliers and distributors are linked to manufacturers. When a significant portion of the owners, employees or suppliers are from low income groups, business expansion also provides income for support of basic human needs. Some businesses produce other development benefits or bring new technologies into a country.

Direct development impact on the small and medium scale enterprises that are borrowers of funds from the IFIs under the LGP were significant. A summary of these development advances follows:

1. Gross revenue and net income increased. Some subborrowers have experienced increases in gross revenue of as much as 40% per year and net income of 32% per year. While this is not known whether this is the norm in the entire portfolio, where impact could be measured it was significant.

2. Export earnings increased. Many of the subborrowers reported significant increases in export earnings, one in the FINADE portfolio reported an increase of 75%.

3. Employment increased. It is clear from the analysis that many jobs were created. In some cases data was available on job creation while in others it was not. If the median for the data on employment creation is projected from sample sources to the entire portfolio, we can project that the Revolving Fund has created over 5,500 jobs from 1984 through 1990.

4. Female employment increased. In many cases like in garment manufacturing and handicraft production women were the major recipients of employment creation.

5. Salaries increased. While salary data is sensitive and was not a required reporting item, one institution reported on salary increases and they indicated an increase of 7%.

6. Collateral requirements reduced. This item alone may be one of the most significant institutional impacts. High collateral requirements is often the single most difficult requirement for an entrepreneur to meet.

Institutional impacts were realized on the USAIDs as well. Among those mentioned are:

1. Capital and financial markets intervention has been established for some of the participating USAIDs.

2. Private sector development commitment and credibility has been enhanced, in particular, in the area of lending and support to small and medium scale enterprises.

3. Loan guarantees extended the use of local currency for lending. Some USAIDs have picked up the idea of using local currency for lending to IFIs with liquidity problems.

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX

Summary Sheet

				PROFILE OF LOANS AND BORROWERS						DIRECT DEVELOPMENT IMPACT			
FACILITY/ AMOUNT	LOCAL FUNDS LEVERAGED TO	EVAL. DATE	PURPOSE	NUMBER OF SUB-LOANS	FUND TURNOVER	OWNERS % WOMEN	% EXPORTERS	AVERAGE LOAN SIZE (000)	MEDIAN ASSET	JOBS/ FEMALE	SALES	EXPORTS	DEFAULT RATE
Caribbean Antigua Shrimp $150,000		12/86	Shrimp Farm	Direct		0	100%	600					
Philippines FAR EAST II $2,186	$20.0 Million	02/90	Small export firms with max assets of $1Million	69	8.6	59%	15.6%	68		190/134	+27%	H	
Philippines PCIB $2.4 Million	$15.9 Million	02/90	Small export firms with max assets of $1Million	25	6.6	65%	55%	275		168/32	+43%	H	
Kenya Kenya Comm. Finance Co. $2.5 Million	$17.0 Million	11/86	Rural SMSEs with assets under $1.5 Million	79	4.0	12%	5%	32		225/9	?	N/A	
Philippines FAR EAST I $2.0 Million	$16.0 Million	03/87	Small export firms with max assets of $1Million	48	8.6		3%	830		517/?			
Morocco WAFA Bank $2.5 Million	$21.6 Million	01/87	Export oriented SMSE's	314	8.6	?	18%	69		75/15	?	L	
Dominican Republic FINADE $2.0 Million	$4.0 Million	10/87	Non-traditional Exports	10		0	100%	137		280/?	+30%	H	
Indonesia Bank Niaga $2.0 Million	$9.4 Million	01/89	SMSEs with monthly sales below $300,000	43	4.7	16%	15%	110		149/117			

INSTITUTIONAL IMPACT

On Intermediate Financial Institutions:

1. SMSE Lending - increased.
2. Branch Lending - increased in rural areas.
3. Collateral Requirements - reduced.
4. Loans - made based on cash flow analysis.
5. Loan Terms - extended.
6. Exposure Limits - increased in certain industries.
7. Leverage - increased.
8. Competitive Edge - enhanced.
9. Increased credibility/experience of private foundations acting as financial intermediary between PVO and microenterprises.
10. Funded first venture capital company in Thailand, twelve others locally-funded venture capital companies formed as a result.

On Borrowers:

1. Gross Revenue - increased.
2. Net Income - increased.
3. Export Earnings - increased.
4. Employment - increased.
5. Female Employment - increased.
6. Salaries - increased.
7. Collateral Requirements - reduced.
8. SMSE Borrowing - increased availability of capital.
9. Reduced time to import raw materials.
10. Installed State of the Art water treatment facility.
11. Financed first modern, privately owned slaughterhouse in Thailand.

Notes:

1) Direct Development Impact: H, M, L, except for default rate; footnotes reference detailed examples.
2) Institutional Impact: H, M, L, plus bullets.
3) LPG loans: N/A in all boxes except first 3.

FACILITY/ AMOUNT	LOCAL FUNDS LEVERAGED TO	EVAL. DATE	PURPOSE	PROFILE OF LOANS AND BORROWERS: NUMBER OF SUB-LOANS	FUND TURNOVER	OWNERS % WOMEN	% EXPORTERS	AVERAGE LOAN SIZE (000)	MEDIAN ASSET	DIRECT DEVELOPMENT IMPACT: JOBS/ FEMALE	SALES	EXPORTS	DEFAULT RATE
Ecuador Fin anquil $1.4 Million		08/87	Provide LCs to importers	2	—	0		$77			?	—	0
Ecuador Finiber $1.4 Million		08/87	Provide LCs to agri-farming importers	40	1.26	<5	20%	$46			?	L	
Thailand Thai Danu $2.35 Million	$13 Million	09/87	SMSEs in rural areas	56	5.5	23	15%	$55		395/113	?	M	
Latin America ACCION $1 Million		12/88	2136 Microenter-prises	2[1]	1	50	—	$57			?	—	
Turkey Securitized Trade Finance $2.4 Million	$10 Million	11/88	Mobilize F.E. credit for SMSE exporters	14	5.29	0	50%	$756		912/280	?	H	
Kenya Kenya Leather $1.4 Million		11/86	Leather Tannery	Direct	—	N/A	50%			160/40		H	0
Thailand Thai Venture Capital $3 Million		11/88	Venture Capital	4	—	25	58%	$878		260/130		H	0
Thailand Pacific Food $2.5 Million		11/88	Slaughterhouse & Meat Processing[2]	Direct	—	N/A	50%			131		M	0

INSTITUTIONAL IMPACT

On USAID:

1. Capital Markets - intervention established.
2. Private Sector Development - commitment and credibility enhanced.
3. Loan Guarantees - extended use of local currency for lending.

1 foundations acting as intermediaries between ACCION and microenterprises.

2 imported $748,000 of equipment from the United States.

Notes:

1) Direct Development Impact: H, M, L, except for default rate; footnotes reference detailed examples.
2) Institutional Impact: H, M, L, plus bullets.
3) LPG loans: N/A in all boxes except first 3.

1547-012/D:

				PROFILE OF LOANS AND BORROWERS						DIRECT DEVELOPMENT IMPACT			
FACILITY/ AMOUNT	LOCAL FUNDS LEVERAGED TO	EVAL. DATE	PURPOSE	NUMBER OF SUB-LOANS	FIRM/ TURNOVER	OWNERS % WOMEN	% EXPORTERS	AVERAGE LOAN SIZE (000)	MEDIAN ASSET	JOBS/ FEMALE	SALES	EXPORTS	DEFAULT RATE
Healthlink				4				$148					
Metrobank				12				$53					
Philippines Bank of Philippine Islands				[illegible]				$256					
EDESA				8				$344					
Cairo Amman				2				$57					
Bolivia Union of Bolivian Banks				71				$26					

INSTITUTIONAL IMPACT

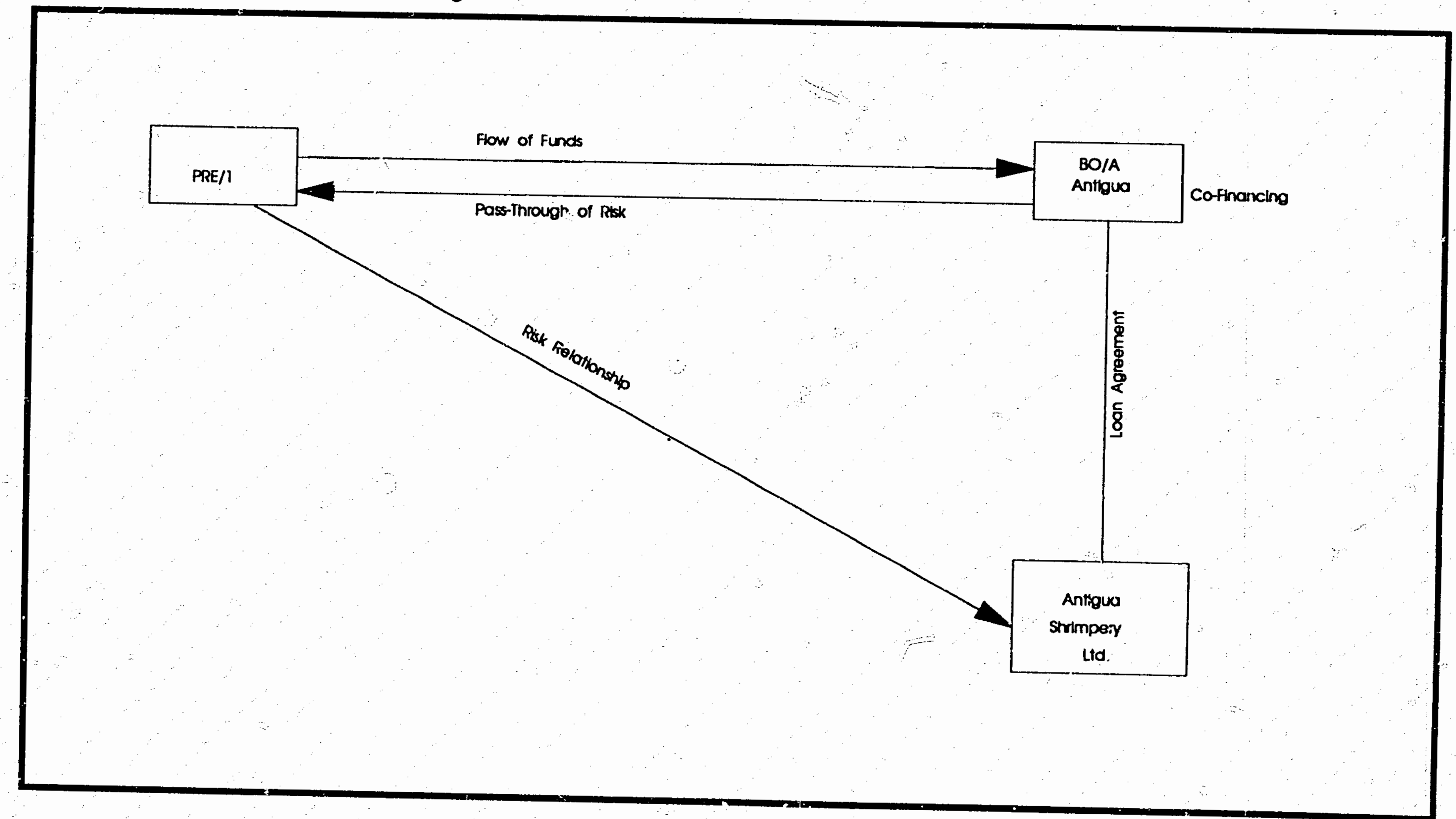
Notes:

1) Direct Development Impact: H, M, L, except for default rate; footnotes reference detailed examples.
2) Institutional Impact: H, M, L, plus bullets.
3) LPG loans: N/A in all boxes except first 3.

1547-012/D1
(2/91)

ANTIGUA SHRIMPERY LTD.

CATEGORY: Direct Loan Business Co-Financing



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APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: FAR EAST BANK & TRUST COMPANY II
940-0002.49/940-0002.80
PURPOSE: Lending to small firms with maximum assets of $1 million. $2.186 Million

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE (000)	USE	JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT
Albay	Pulp Manufacturer	E	M	D/E	$19	WC	1/0	4.9	L	
Amazia	Garment Manufacturer	E	M/F	D/E	$405	WC	2/2	20.3	M	
Arc-Men	Plastic Products Mnfctr.	E	M/F	D/E	$473	WC	4/3	28.9	H	
Asean	Timber/Lumber	E	M/F	D/E	$161	WC	7/1	43.9	H	
Creative Lines	Novelty Manufacturer	E	F	D/E	$5	WC	14/12	7.1	L	
Crismina	Garm.:.; Manufacturer	E	M	D/E	$787	WC	4/3	24.1	H	
Eastar	Cobra Trader	E	M	D/E	$200	WC	0	15.6	M	
Erma	Food Trader	E	M/F	D/E	$500	WC	4/2	2.4	L	
FCG	Handicrafts Trader	E	M	D/E	$107	WC	3/2	48.6	H	
FIL-ASIA	Handicrafts Manufacturer	E	M/F	D/E	$24	WC	3/3	5.0	L	
Galleria	Handicrafts Manufacturer	E	M/F	D/E	$40	WC	3/1	—	H	
J. Bryan	Garments Manufacturer	E	F	D/E	$340	WC	3/0	32.9	M	
J.R.	Garn.ents Manufacturer	E	M/F	D/E	$98	WC	47/42	15.9	L	
Las Palmas*	Furniture Manufacturer	N	M/F	E	$68	WC	0	78%	H	Contract with Clark AF Base, Pier 1
Lui	Garments Manufacturer	E	F	D/E	$43	WC	8/5	18.3	M	
Maruichi	Handicrafts Manufacturer	E	M/F	D/E	$7	WC	2/1	7.3	H	
Maxima	Garments Manufacturer	E	M/F	D/E	$54	WC	2/2	7.4	L	

As of December1990

INSTITUTIONAL IMPACT

1. Gross Revenue - increased 27%.
2. Net Income - increased 24%.
3. Net Export Earnings - increased 15%.
4. Employment - increased 14%.
5. Female Employment - increased 15%.
6. SMSE Lending - increased from 9 to 15%

KEY

C =	Construction	H =	High
WC =	Working Capital	M =	Medium
E =	Equipment	L =	Low
I =	Inputs		
X =	Expansion		

* Site visit report attached

1547.014/01

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BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE (000)	USE	JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT
Pacific Arts	Furniture Manufacturer	E	M	D/E	$22	WC	28/18	14.1	H	
Pescanova	Prawn Trader	E	M	D/E	$98	WC	0	46.3	H	
Saldana	Garments Manufacturer	E	M	D/E	$269	WC	5/4	27.3	M	
Dan Miguel Bay	Prawn Farming	E	M/F	D	$147	WC	0	1.6		
Shellcraft	Shell Handicrafts	E	M/F	D	$37	WC	4/1	13.6		
Dindo	Furniture Manufacturer	E	M	D/E	$5	WC	3/3	10.6	L	
SMN	Prawn Trader	E	M	D	$47	WC	1/0	—		
Sta. Agenda	Shell Crafts Manufacturer	E	M/F	D/E	$100	WC	0	53.4	H	
Tag Fibers	Fiber Trader	E	M	D/E	$473	WC	5/2	11.8	L	
Top-Stitch	Garments Manufacturer	E	M	D/E	$49	WC	12/8	16.2	M	
Trimia	Furniture Manufacturer	E	M/F	D/E	$292	WC	11/11	15.7		
Unimer	Food Processing	E	M	D/E	$146	WC	11/8	101.3	H	
Wood Tech.	Door Manufacturer	E	M	D/E	$92	WC	3/0	—	L	
Guintos Woodcraft*	Wood Product Manufacturer	N	M/F	D/E	$55	WC		434%	H	Pier 1 Contract, Japan, Australia
Libra-Scorpio Artcraft	Baskets & Kitchen Linen	E	M	E	$30**	WC		50-60% est		
Asia Pacific Exim Trade	Furniture Manufacturer	N	M	D/E	$92**	WC	20/12 est	30-40% est		
Shoe Extraco Corp.		E	M	D/E	$44	WC				
World Seasons Furniture	Furniture Manufacturer	E	F	E		WC				

* Site visit report attached

As of December1990

INSTITUTIONAL IMPACT

KEY

C =	Construction	H =	High
WC =	Working Capital	M =	Medium
E =	Equipment	L =	Low
I =	Inputs		
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1547-014/01

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BORROWER	TYPE OF BUSINESS	PROFILE OF LOANS AND BORROWERS: NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE (000)	USE	DIRECT DEVELOPMENT IMPACT: JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT
Aquafresh Seafoods	Shrimp Processor	E	M	D	$78	WC		20.35%		
BF Industries, Inc.	Granulated Charcoal Producer	E	M	D/E	$92	WC		45%		
Bicol Novelty Crafts	Native Handicrafts Exporter	E	M	E		WC		35%		
Bicol Brands International	Native Handicrafts Exporter	E	M	E						
H.M. Llaguno Philcrafts	Native Handicrafts Exporter	E	M	E		WC		35%		
Daraga House of Fine Handicrafts	Native Handicrafts Exporter	E	F	E		WC		40-45% est.		
Guinto's Woodcraft Wood	Wood Product Manufacturer	E	M/F	D/E		WC		20% est.		
Las Palmas Rattan	Furniture Manufacturer	E	M/F	E		WC		20% est.		
Erma Industries	Food Trader	E	M/F	D/E	$917	WC		20% est.		
MEC Design Programmers	Export Packing?	N	F	E	$4	WC				
JWJG Enterprises	Wood Product Exporter	E	F		$14	WC	52/12	10% est.	H	
ESTA Trading Corp.	Chemical Spare Parts Import	E	M	[illegible]	$183	WC	16/16	30% est.		H
House of Virgo	Clothing Manufacturer/Exp.	E	F	D/E	$60	WC	22/16	134.2%	M	
Brillo Handicrafts	Native Handicrafts Exporter	E	M	E	$183	WC	16/16	20%	H	
Ilvan Hardware	Hardware Sales	E	M	D	$92	WC		20%		Import of U.S. Mfr Chain Saws & Parts
Seno Hardware	Steel Products Sales	?	M	D				30%		
I.O. Basic Poultry Supply	Food Trader	?	M	D	$137	WC	90/30	15-25% est.		

As of December1990

INSTITUTIONAL IMPACT

KEY

C =	Construction	H =	High
WC =	Working Capital	M =	Medium
E =	Equipment	L =	Low
I =	Inputs		
X =	Expansion		

• Site visit report attached

1547-014/01

LAS PALMAS RATTANCRAFT

Loan Amount: $68,150

Purpose: Working capital

Las Palmas Rattancraft is owned by Benito S. Tan and his wife, Jesebel Vitug Tan, who are doing business as a sole proprietorship. They have been in business for nine years and are engaged in the manufacture of rattan furniture, primarily for the export market. The high quality of their furniture has created a demand from buyers who have seen the furniture at trade shows in Manila.

The factory is located on the grounds of a government regional industrial park in Angeles City, site of Clark Air Base. The company was originally created to meet the demands of walk-in customers from the Base for rattan furniture. The size of the business increased dramatically in 1986 when it won a contract bid of $1.0 million to supply the furnishings for the Base hotel, cottages, dormitories, and some of the houses.

The relationship of Las Palmas Rattancraft and FEBTC began in March 1989, as a result of the marketing efforts of Mr. Rico Santos, the Bank's branch manager in Angeles City. The firm had obtained a purchase order for their furniture from Pier 1 Imports in the U.S. Consequently, the firm had an immediate need to purchase rattan for the manufacture of this order and required a loan of $68,150. Under existing policies at FEBTC, Las Palmas Rattancraft could have qualified for only $28,000, secured by real estate.

The Bank granted the loan of $68,150 secured by an assignment of the proceeds of an export letter of credit in the amount of $280,500 issued by Chemical Bank in the U.S. on behalf of Pier 1 Imports. As additional collateral, the FEBTC took a real estate mortgage on a four-acre tract of land which the company had purchased with earnings. The tract has a market value of $47,000 and will be used as the site for factory expansion.

The loan was made under the A.I.D. PRE guarantee program because the real estate loan value was not adequate to secure the loan; the assignment of the proceeds of the export letter of credit only has value as collateral after the products are produced and shipped.

The Clark Air Base contract was a major contributor to the company's sales of $330,966 in 1987 and $982,102 in 1988. During that same period, net income increased from $29,403 to $137,696. The gross sales projections for 1989 were $588,235. The projection reflects the fact that the Base contract has been completed. Following is a table which shows the financial condition of the company at year-end 1987 and 1988. The 1989 financial statement had not been received at the time of this study.

	December 31, 1988	December 31, 1989
Assets	$154,498	$175,906
Liabilities	107,197	29,738
Net Worth	47,301	146,168
Annual Sales	330,966	982,102
Net Income	29,403	137,696

The demand for rattan furniture continues to be strong; the company exports furniture to Australia, Sweden, Finland, and England as well as to the U.S. The major impediment to production is a scarcity of large rattan which must be imported.

GUINTO'S WOODCRAFT

Loan Amount: $55,071

Purpose: Working capital

Orlando Guinto and his wife, Erlinda, began their wood products business in 1975 with capital of $50 and seven employees in an old factory near Angeles City, site of Clark Air Base. Gradually, they were able to design and produce a variety of wooden items, including bowls, trays, and novelties. Sales were increased by opening a shop on Friendship Highway near Clark Air Base.

Mr. and Mrs. Guinto and their children are active participants in the daily work of the business. Presently, they have a workforce of 150 people, the majority of whom are employed by the nine subcontractors who produce wooden bowls and trays for the export market. The bowls, trays, and wedges of wood painted to resemble watermelon are being produced by the thousands to fill a purchase order for Pier 1 Imports of Ft. Worth, Texas. The present order of $135,792 is a repeat of an earlier order of $70,000 which was processed by a trader.

The relationship between Guinto's Woodcraft and the Far East Bank and Trust Company (FEBTC) began in January 1990 when the Bank extended a working capital loan to purchase lumber and to pay subcontractors. The loan is secured by an assignment of the proceeds of the $135,792 export letter of credit issued by Chemical Bank in the U.S. on behalf of Pier 1 Imports. To be assured that it does not incur a loss if the purchase order is not fulfilled, the FEBTC took a real estate mortgage on the factory with a loan value of $32,171 and utilized the A.I.D. PRE guarantee.

The business has been able to increase its export market by displaying products at the trade fair in Manila. In addition to its exports to the U.S., Guinto's Woodcraft also exports goods to Japan, Australia, and New Zealand. The firm has recently improved its production capacity by purchasing land adjacent to the old factory and has acquired additional equipment.

The guarantee facility enabled the FEBTC to extend credit to a new client who would not have qualified for credit under Bank policies because of inadequate collateral. Through the loan guaranteed credit, Guinto's Woodcraft was able to produce enough goods to fill a large export order and increase its margin of profit by eliminating the need for a trader.

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: PHILIPPINE COMMERCIAL INTERNATIONAL BANK
[illegible]
PURPOSE: Lending for agriculture and agri-business in rural areas to firms with maximum assets of $1 Million $2.4 Million

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE (000)	USE	JOBS/ FEMALE	+ % SALES	EXPORTS	OTHER/ IMPORT
Ah Ra Ha*	Prawn Farming	N	M	E	$124	I/WC	15/0		H	
Atom Industrial	Chemicals Production	E	M	D/E	$398	I	16/0	8.1	H	
Capinpuyan	Prawn Farming	E	M/F	E	$12	WC	-3/0	-5.1	H	
Carjolin	Prawn Farming	E	F	E	$161	I		10.2	H	
Covenco	Feed Trader	N	M/F	D	$142	WC	3/1	13.7	—	
Dapiton	Prawn Farming	N	M/F	E	$36	WC	1/1	-3.8	H	
Footprints	Prawn Farming	E	F	E	$33	WC		6.7	H	
Guyman	Rice Mill	E	M	D	$38	WC			—	
JMVR*	Concrete Production, quarry	E	M/F	D	$177	E/WC	30/1	50.9	—	
Jugarap	Prawn Farming	N	M/F	E	$203	I	18/0	—	H	
Lerias	Prawn Farming	E	M/F	E	$11.5	WC	3/2	-3.9	H	
Limeoma	Feed Mill	E	M	D	$534	WC	4	5.5	—	
Lucky Grains	Corn Mill	E	M	D	$92	WC	2/2	20.2	—	
Lugait Aqua	Prawn Farming	N	M	E	$50.5	I	7/1		H	
Marina	Prawn Marketing	N	M/F	E	$474.	WC	38/21	2.3	H	
NKK*	Poultry Production	N	M/F	D	$134	I/WC	1/0	-52	—	
Palanca	Prawn Farming	N	M/F	E	$78	I		-87.6	H	
Rainbow	Poultry/Hog Production	E	M/F	D	$35	WC		767.	—	

* site visit report attached

As of December 1990

INSTITUTIONAL IMPACT

1. Gross Revenue - increased 43%.
2. Net Income - increased 32%.
3. Export Earnings - increased 26%.
4. Foreign Exchange Earnings - increased 38%.
5. Female Employment - increased 22%.
6. Salaries - increased 7%.
7. SMSE Lending - increased from 26 to 50%.
8. Exposure Limits - increased to specific industries.
9. Collateral Requirements - decreased.
10. Leverage - increased.
11. Competitive Edge - (in SMSE lending) developed.
12. Borrowers entered formal credit market.

Use

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WC	=	Working Capital	M	=	Medium
E	=	Equipment	L	=	Low
I	=	Inputs			
X	=	Expansion			

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: PHILIPPINE COMMERCIAL INTERNATIONAL BANK
940-0002.58
PURPOSE: Lending for agriculture and agri-business in rural areas to firms with maximum assets of $1 Million $2.4 Million

As of December 1990

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT				INSTITUTIONAL IMPACT
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	JOBS/ FEMALE	+ % SALES	EXPORTS	OTHER/ IMPORT	
Salen	Rice Mill	D	M	D	$95	WC		—	—		
San Fabian	Ice/Fish Production	E	M/F	D	$117	I/WC	9/3	—	—		
Santos	Prawn Farming	N	M/F	E	$429	I	15/0	—	H		
SR Farms	Poultry/Egg Production	E	M/F	D		WC	7/0	-5.4	—		
Tuazon	Feed Trader	N	M/F	D	$23	WC	2/0	—	H		
Urban	Prawn Farming	E	M	E	$95	WC		—	H		
Virgo	Prawn Farming	N	M/F	E	$137	WC		—	H		
Anhvil Garments					$137						
IMV Trading					$289						
Maniaul Family Farms					$22						
Manila Castor Oil					$105						
Rainbow Integrated					$22						
Juanito Ugalde					$221						
Gerardo Alvarez					$54						
Montoya			M/F		$12						
Gonzales					$82						
Vera Wood Industries					$9						

Use
C = Construction
WC = Working Capital
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H = High
M = Medium
L = Low

* site visit report attached

1547 016/01
(3/91)

AH RA HA AQUAFARM

Loan Amount: $123,910

Purpose: Equipment, construction, working capital

Mr. Halili owns a 13.5 hectare aquafarm of which 13 hectares are in ponds. He surveys his business from a "rest house" located in the center of the ponds. The farm is surrounded by a residential subdivision. Mr. Halili began preparations for his operations in November 1988 and began sales in February 1989. He had worked in prawn farms with his parents previously. Since the PRE credit was not available until May 1989, Mr. Halili had already invested $331,000 from other sources. He is partial owner of two other companies - a bakery and an ice/cold storage company - and these provided enough capital to purchase the land. Also, he had short term loans from his relatives and other lenders, which he repaid after obtaining the PRE credit. At that point he had over 60% equity invested in the enterprise.

Mr. Halili said he could not have started this business without the PRE credit from PCIB because he had already invested all of his own capital in the purchase of the land. The remaining start-up costs were financed by the short term loans. He would have had to continue this short term borrowing which would have been very difficult. As it is, he had underestimated his expenses and so the loan amount has been insufficient.

Mr. Halili now has a total of 19 employees (none of whom are women): - 12 for the fish operation and seven for the ongoing construction needs. He brought four employees from the other two businesses. Thus 15 new jobs were created as a result of the PRE credit. During the construction phase he hired 120 new employees for the first six months and kept 40 for the next six months.

Mr. Halili sells 100% of his product to fish brokers, who export approximately 90% of the prawns, but only 1% of the milkfish. Mr. Halili's sales for 1989 of $95,072 from 9,785 kilos of prawns and 20,683 kilos of milkfish resulted in an estimated foreign exchange earnings of approximately $96,872 (if one assumes none of the milkfish were exported). He can always sell all of his production, but sometimes experiences a price drop when there is an oversupply on the world market or if the Japanese market is effected. The recent death of Emperor Hirohito, for example, caused a depression in this market.

Mr. Halili has developed some modern techniques for production which result in larger yields and faster production:

- Intermediate feedings of high nutrition feed.
- Natural feeding by encouraging the growth of algae in the ponds.
- Proper water treatment by adding lime - reduces the acidity of water and pond bottoms so both algae and prawns will grow better.

Mr. Halili says that he is operating the current ponds at only about 30-40% capacity. He wants to increase his production rather than establish another aquafarm.

Mr. Halili chose PCIB because his father had dealt with this bank before. He is also impressed with the social conscience of the bank and that the loan officer visits him often. He had earlier borrowed from other banks for the bakery. The ice plant was financed by an inheritance.

JMVR ENTERPRISES

Loan Amount: $177,375

Purpose: Equipment, working capital

Mr. Jose (Joey) and Mrs. Marilyn Reyes established JMVR Enterprises, a family business with joint ownership. They started the business in 1981 on a very small scale using a loan from Mrs. Reyes' sister. The initial production was cement blocks and culverts, which was gradually expanded to include decorative cement blocks and railings and the sale of cement in bags. In 1987 they started the operations of a quarry and now sell aggregates (sand and gravel) to contractors. Their initial assets were P600,000 and currently are P15.4 million ($707,000).

Mr. Reyes is a mechanical engineer who previously worked for the AIG Construction Company. Mrs. Reyes is an industrial engineer who previously worked in a garment business in an export processing zone.

JMVR's expanding production in the last two years has resulted in the following increases:

	Increase 1987-88	Increase 1988-89	
		Total	Attributable to PRE Loan
Gross income	237%	189%	50.0%
Net income	154%	165%	44.5%

The increase in production resulting from the PRE loan was from 2,500 blocks per day (1988 before any loans) to 6,000 (current) -140%.

In December 1989 JMVR obtained another loan of $82,600 from PCIB for the purchase of four trucks, which will allow more delivery of blocks and cement. Since this recent loan was not guaranteed by PRE, the enterprise has now "graduated" to regular commercial lending.

The PRE loans have also had an impact on JMVR's number of full-time employees as follows:

	Total	Women	incr in total
1987 (before loans)	25	1	-
10/88 (1st PRE loan)	40	2	60%
06/89 (2nd PRE loan)	55	2	38%
12/89 (non-guaranteed loan)	70	2	27%

JMVR is planning to add one more woman employee in the office (administration).

The company has expanded to meet the growing demand for construction materials which began in 1986 due to confidence in the new government. Previously the construction industry had been very depressed. Mr. Reyes feels this demand will continue for at least the next two years and so the company will continue to grow. His business has not experienced any change due to the recent coup attempt; he is still filling orders from before that time. However, the pace might begin to slow in the next 3-6 months. The main customers are the contractors and government developers. The company can sell all it produces since it basically has no competition.

The company did have a working capital loan of P600,000 from another bank (BPI), but the collateral was valued only at 40%. PCIB values the collateral at 60% (same with guarantee) which means the borrower must provide collateral valued at 167% of the loan amount. JMVR went to PCIB because they already had saving and checking accounts there. One attractive feature has been a lower interest rate than other banks charge: 19% for the first loan and a 25% variable currently.

Mr. Reyes indicated that the greatest problem he now faces are the electricity brownouts which have been occurring five to seven times per month for five hours each. This has resulted in a 60% drop-off in production for the last three months.

NKK AGRICULTURAL DEVELOPMENT CORPORATION

Loan Amount: $229,355

Purpose: Purchase property, working capital

NKK Agricultural Development Corporation (NKKADC) was incorporated in 1986 as a family-owned corporation and primarily engages in broiler production. The company operates a 15-acre poultry farm near Lipa City, Batangas. The farm has a capacity of 150,000 chickens, which are raised for the broiler market under a contract grower relationship with General Milling Corporation (GMC).

Nicasio Katigbak, the corporate president and chairman, has been in the poultry business since 1960. He established NKKADC to expand into the contract grower business. His son Manuel is the general manager and his wife Angeles Leonor is Treasurer of the corporation.

The farm has undergone two phases of expansion. The first was in 1986 when three additional poultry buildings were added to increase the bird population from 55,000 to 100,000. The second phase was completed in 1988 with the construction of three additional poultry buildings and the installation of a new water supply system which included a 10,000 gallon overhead tank and deep well.

The corporate relationship with the Philippine Commercial International Bank begin in 1988 when the term loan was made to finance the improvements on the poultry farm. The working capital line of credit was also made at that time to fund expenses incurred prior to the receipt of contract grower payments and to pay for the expense of raising broilers when not operating under a contract. The Bank utilized the A.I.D. PRE guarantee on both loans because of the limited capital of the corporation and because of the uncertain collateral value of the real estate since it is subject to expropriation under the land reform program.

At present, the company is a contract grower for GMC. GMC supplies the day-old chicks which are of proven performance in terms of growth rate, weight gain, feed conversion and livability. Feed and medicine are also supplied by GMC. The chicks grow into broilers ready for slaughter in 49 days and are processed and marketed in Manila. GMC pays the company a guaranteed price based on the live weight of the chickens. The gross profit for the company is about $.30 a bird. Labor and electricity total from $.13-.17 a bird, leaving a margin of about $.15 for each broiler produced. The selling price of live chickens is about $.72 a pound; dressed chicken sells for about $.90 a pound.

Sales of broilers declined in Manila during the December 1989 coup attempt and at the moment, there is an oversupply of broilers. Those knowledgeable about the poultry business state that the soft market price is no threat to the poultry industry for two reasons: 1) the poultry is consumed in Manila and not subject to a world market price, and 2) the sector structure is solid: 10 large and financially stable poultry integrators provide all the broilers to contract growers. The contract growers receive a guaranteed price.

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: KENYA COMMERCIAL FINANCE COMPANY
940-0002.3
PURPOSE: Provide loans to small and medium scale rural enterprises involved in agribusinesses, $2.5 Million

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE (000)	USE	JOBS/ FEMALE	+ % SALES	EXPORTS	OTHER/ IMPORT
Muirini Timber*	Saw Mill Operator	E	M	D	$33.3	E	-4/0			
Geoffrey Muthuri	Bakery	E	M/F	D	$23.3	E	13/0	155		
Kimani Karanja*	Coffee Farming/Processing	E	M	D	$26.7	C/E	0/0		—	
GUM Industries	Adhesives Factory	N	M	D	$266.7	C/E				default
Paul Ndungu Mwaura	Saw Mill Operator	E	M	D	$68.5	E	24/0	19		
Geoffrey Gathura	Coffee Processing	N	M	D	$31	C	12 est	startup		
Miu Electric	Electrical Engineering	N	M	D	$35.3	E		startup		
Wathuku Ngure	Coffee Farmer	E	M	D	$142.5	I				
Kimuhu Nganga	Corn Mill Operator	E	M	D	$6.7	C				
Patrick Munyingi Kihungi	Coffee Processing	E	M	D	$36.7	C/E	15 est			
Kirenge Farm	Coffee Processing	N	M	D	$20	C/E	11 est	startup		
OCAF	Sun Flower Collection & Dist.	N	M	D	$300	C/E	37 est			Default
Kenya Marble*	Marble Cutting & Sales	N	M	D/E	$516.2	E	70/2	startup	L	Import subtitutions
Onesemus Njiru*	Corn Mill Operator	N	M/F	D	$31	E	4/2	startup	—	
Ndungu Kimani*	Bakery	C	M	D	$15.3	E	7/5	40%	—	
William Saina*	Ag Services	N	M	D	$27.3	E	1/0	startup	—	import U.S. Machinery

As of November 1986

INSTITUTIONAL IMPACT

1. Employment - increased by 221 jobs.
2. SMSE Lending - increased.
3. Branch Lending - increased in rural areas.
4. Increased loan terms to SMSE's.

ON USAID:

1. Capital Markets intervention established.
2. Private Sector Development - comittment and credibility enhanced.
3. Loan Guarantees - studying use for local currency lending.

KEY

C = Construction		H = High	
WC = Working Capital		M = Medium	
E = Equipment		L = Low	
I = Inputs			
X = Expansion		est = estimate by bank	

* Site visit report attached

1547 018/01
(3/91)

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: KENYA COMMERCIAL FINANCE COMPANY
940-0002.3
PURPOSE: Provide loans to small and medium scale rural enterprises involved in agribusinesses, $2.5 Million

As of November 1986

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT				INSTITUTIONAL IMPACT
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	JOBS/ FEMALE	+ % SALES	EXPORTS	OTHER/ IMPORT	
Musola Agri.*	Sugar Cane Harvesting & Trans.	E	M	D	$310	E	64/0	—		Import U.S. Machinery	
IMA Haulers*	Sugar Cane Harvesting & Trans.	E	M	D	$70	E	30/0				
Joseph Luta	Agricultural Services	N	M/F	D	$35.3	E	2/0	startup	—		
Kenby Cables*	Insulated Wire Manufacturer	N	M	D	$200	E	8/0	104	—		
Hezekia Ngaita	Corn Mill Operator	E	M	D	$13.3	E	3/0	—			
Ruiru Packers	Food Processing	E	M	D	$66.6	E	3/0	not oper-ational	—		
58 other loans	No Information Available				$1,995.9						
Joseph Makori	Corn Mill Operator	N	M	D	$2.2	C/E	4 est	startup			
Kiromo Kinyariro	Corn Mill Operator	N	M	D	$5.6	C/E	4 est	startup			
Paul Wambani	Corn Mill Operator	N	M	D	$6.3	C/E	4 est	startup			
Gordon Odongo	Equipment Leasing	E	M	D	$15.8	E	12 est				
Albert Muchai	Bakery	N	M	D	$23.8	E	11 est				
John Ochoi	Corn Mill Operator	N	M	D	$4.8	C/E	4 est	startup			
Peter Njieru	Corn Mill Operator	N	M	D	$7.1	C/E	4 est	startup			
Magoko Transporters	Agriculture Hardware Inputs	N		D	$9.5	WC	—				
Peter Imbilu	Corn Mill Operator	N	M	D	$6.3	C/E	4 est	startup			
Hudson Mbunyo	Corn Mill Operator	N	M	D	$6.0	C/E	4 est	startup			

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X =	Expansion	est =	estimate by bank

* Site visit report attached

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: KENYA COMMERCIAL FINANCE COMPANY
940-0002.3
PURPOSE: Provide loans to small and medium scale rural enterprises involved in agribusinesses, $2.5 Million

BORROWER	TYPE OF BUSINESS	PROFILE OF LOANS AND BORROWERS: NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE (000)	USE	DIRECT DEVELOPMENT IMPACT: JOBS/ FEMALE	+ % SALES	EXPORTS	OTHER/ IMPORT
Benjamin Nyebet	Corn Mill Operator	N	M	D	$3.2	C/E	4 est	startup		
James Mboya	Corn Mill Operator	N	M	D	$3.5	C/E	4 est	startup		
Margaret Mwathi	Corn Mill Operator	N	F	D	$4.8	C/E	4 est	startup		
Saroni Sane	Abbatoir	N	M	D	$31.7	E/WC	31 est	startup		
Onyango Okindo	Corn Mill Operator	N	M	D	$2.5	C/E	4 est	startup		
Nahashon Bakery	Bakery	E		D	$19.0	X	34 est			
Moses Kibiri	Coffee Processing	N	M	D/E	$15.8	C/E	12 est	startup	L	
Jonah Orumoy	Corn Mill Operator	N	M	D	$5.1	C/E	4 est	startup		
Anthony Muhwanga	Coffee Processing	N	M	D/E	$15.8	C/E	12 est	startup		
David Mosse	Corn Mill Operator	N	M	D	$2.5	C/E	4 est	startup		
Mugumo Drycleaners	Dry Cleaners	E		D	$13.3	X	6 est			
Alfred Karasha	Agriculture Services	N	M	D	$6.0	E	3 est			
Charles Shitekha	Corn Mill Operator	N	M	D	$3.8	C/E	4 est	startup		
Sabini Lubwa	Corn Mill Operator	N	M	D	$4.6	C/E	4 est	startup		
K. Arap Bett	Corn Mill Operator	N	M	D	$3.6	C/E	4 est	startup		
Hoswell Muchane	Bakery	N	M	D	$30.1	C/E	11 est			
Mijuchanco. Ltd.	Food Manufacturing	N		D	$23.8	E/WC	21 est			•

As of November 1986

INSTITUTIONAL IMPACT

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X = Expansion		est = estimate by bank	

• Site visit report attached

1547 018/01
(3/91)

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: KENYA COMMERCIAL FINANCE COMPANY
940-0002.3

PURPOSE: Provide loans to small and medium scale rural enterprises involved in agribusinesses, $2.5 Million

As of November 1985

PROFILE OF LOANS AND BORROWERS							DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	JOBS/ FEMALE	+ % SALES	EXPORTS	OTHER/ IMPORT
Mark Nyamulia	Corn Mill Operator	E	M	D	$4.4	C/E	3 est	startup		
David Buyabu	Corn Mill Operator	N	M	D	$5.7	C/E	4 est	startup		
Gregory Makokha	Corn Mill Operator	N	M	D	$4.1	C/E	4 est	startup		
Richard Onditi	Corn Mill Operator	N	M	D	$6.0	C/E	4 est	startup		
Gitoro Bakery	Bakery	E		D	$11.1	C/E	12 est			
J. Kisa	Corn Mill Operator	N		D	$8.9	C/E	8 est	startup		
Kolelach Holdings Ltd.	Transport	N		D	$35.6	E	20 est			
John Njuguna	Corn Mill Operator	N	M	D	$5.4	C/E	3 est	startup		
Joseph Koskei	Transport	E	M	D	$57.0	E	13 est			

INSTITUTIONAL IMPACT

KEY

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M = Medium
L = Low
est = estimate by bank

* Site visit report attached

1547-018/01
(3/91)

MUIRINI TIMBER MERCHANTS
Alexander Mouru K. Rugano, Proprietor

Loan Amount: $33,300

Purpose: Purchase sawmill equipment, rollover old debt.

Mr. Rugano, a former mayor of Thika, applied for a KCFC loan in late 1984. He was a customer of Kenya Commercial Bank and heard about the new loan program from business connections. He intended to expand his product lines and capacity by purchasing new equipment with the loan. He had been in the timber and woodworking business five years.

Personal problems and the legacy of a politician have distracted Mr. Rugano from successfully expanding his business. Having fallen into arrears on his interest payments in August 1985, his case was referred to KCFC's attorneys in March 1986. A final deadline of November 24, 1986, was set after which time KCFC was to begin action to liquidate the property he placed as security. Mr. Rugano was instructed to pay 135,000 Kshs. by November 22 to avoid this action; he paid only 20,000 Kshs. On November 26, his arrears were 113,000 Kshs.

Mr. Rugano is an articulate man who speaks and appears with the eloquence of a Shakespearian actor. A small timber and woodworking operation seems an odd stage for him. He has had difficulty lining up regular customers and contends that attracting the casual walk-in customer is difficult. There was little evidence of any orders being filled or inventory built up.

The equipment Mr. Rugano bought with KCFC financing is a small wood lathe and a table saw. The lathe was awkwardly placed in a corner and had turned no wood recently. The two new pieces could not account for the 260,000 Kshs. he had borrowed for equipment purchases.

Mr. Rugano characterized his competition as "stiff." Muirini Timber is located among several metal and wood working shops in Thika and Mr. Rugano's neighbors were active with stocks of doors, frames, desk, beds and timber evident. The hum of machinery dropped to an intermittent lull in the direction of Muirini Timber where three men were ripping round logs into planks during two visits on a Friday and Monday. The other 11 machines in his shops were idle. Fifteen 10 foot sections of 14 inch round logs awaited ripping.

The effect of the loan on Mr. Rugano's operations is hard to judge. His books are currently with his attorneys as they prepare to negotiate with the bank. Another defaulted loan from KCB has tied up other resources. Mr. Rugano claims to have already voluntarily liquidated some of his real estate to pay outstanding debts. Prior to receiving the loan Muirini Timber employed 15 people. He hoped to add 3 more. Now Mr. Rugano says his payroll is 6,231 Kshs/month for 11 employees. His wife is the sole woman.

Nevertheless, Mr. Rugano said, "I'm very grateful for the loan and happy to be in business, it's only that I've been having lots of ups and downs." The local KCB official said that given Mr. Rugano's previous business and personal history it was unlikely the business would ever find an up. He said Mr. Rugano has significant personal assets and could pay the loan if he chose. Meanwhile, a new series of letters has gone out from KCFC. His sawmill is again within hearing distance of the auctioneer's bell.

KENYA MARBLE

Loan Amount: $516,200

Purpose: Purchase stone cutting machinery and construct a building.

In the outskirts of Nairobi a third generation Kenya/Indian family is opening the country's first marble cutting operation. The Lakhani family had been in the limestone quarrying business first in Tanzania and then in Kenya, since the early 1940's. Initially, they ground limestone rock for use in agriculture, construction and home products. In the early 1980's the family operation whose expertise was now augmented by a son with an MBA from the London School of Economics and another with a degree in geology from the Royal School of Mines began planning to provide Kenya with finished marble products for building and decoration.

Prior to Kenya Marble most of the country's needs for high quality building marble were met with expensive imports. Mr. Lakhani investigated several funding avenues for the 2 million Kshs. needed to purchase machinery. Several schemes existed in Kenya at the time. He would be able to borrow at a reasonable rate and for a 10 year term from a local building society, but only for construction of the "go down" (factory building). Money was also available at a reasonable interest rate and at long term from various export finance companies in the countries (Italy and Germany) where he would purchase his machinery. He would have to bear the foreign exchange risk. He decided on the USAID sponsored KCFC financing "to have the entire package under one roof" and to benefit from the longer than normal payback term and 6 month grace period. "In the long run I may be paying a higher interest rate but my cash flows are more predictable" he explained.

At the time of the visit, the plant had been in full operation for one month. Mr. Lakhani is confident of achieving his projected 5m Kshs/year sales figure by November 1987. "I anticipated breaking even on this year's operations because of all the start-up costs involved, although we may even achieve a 3-5% profit based on initial sales figures". This is good news for his employees at the quarry in Kajiado and at the factory in Nairobi. The operation has one shift working a 5 1/2 day week. A 70 man payroll (1 million Kshs annually) covers production carvers and sales staff at the soon to open Nairobi retail outlet. "I find that my sales projections have been very low", he said. "We can undercut the market price by 50%, and that means immediate market share". It also means a reduction in import bills for finished marble products. Mr. Lakhani has explored the ceramic tile market and thinks he can underprice marble tiles. "One has a terrible advantage when one mines and finishes a product locally."

In two to three years he anticipates Kenya Marble will export 50% of its output. "Ninety per cent of our first shift of production is destined for the domestic market. As we are able to develop business in the more competitive Middle Eastern, European and American markets we will be adding a second shift to meet this demand." An ambitious undertaking, but so was the development of Kenya Marble using locally provided financing.

THE POSHO MEAL

Loan Amount: $31,000

Purpose: To purchase and install a corn milling machine.

Onesmus Njiru saw a niche soon after he and his wife moved to Nairobi. Many people consumed corn, but had to travel great distances in order to mill it into flour. Back in his hometown of Meru, he had started up a "posho mill" (a milling machine which grinds cereals into flour) with his family. It was apparent that the neighborhood in western Nairobi needed just such an operation.

Onesmus approached his banker at Kenya Commercial Bank (KCB) for a loan. Since he required a smaller, longer term loan, he was referred to the USAID sponsored KCFC program. "This program fit my needs exactly", says Mr. Njiru, "and since this was my first experience with a formal bank loan, my loan officer, Symon Ngonga, helped me with the application." "Although he lacks the credit experience" adds banker Nganga, "he makes this up with self initiative and past experience in the business."

A 425,000 Kshs. loan bought Mr. Njiru the two milling machines and their installation, and the "posho meal" was born. He rented the building from a local church and modified it with his own savings, which represented his 25% equity position required by the program. After a few weeks of advertising with posters and hand bills, the mill became well known. One and a half years later demand has not let up. "With the closest mill 5 Km away, we keep running 3-10 hours a day 6-7 days a week. I'm so busy I'm trying to talk Symon into giving me another loan for more machinery. Can you help me?", he asks. "We'll talk about that later", replies Symon. At present Mr. Njiru and his wife employ a cashier and a machine operator. He is beginning to integrate other related enterprises with the mill. Aside form milling his customer's corn and beans, he bags his own corn meal in 2Kg paper sacks and sells tham to local markets. He makes a baby porridge of powdered milk, corn meal, millet and sugar for sale through the same outlets. And he has begun to raise and sell chickens, using the chaff and waste from the milling process as food supplements.

MUCHANGANYIKO BAKERY

Loan Amount: $15,300

Purpose: Purchase and install dough mixing equipment.

In the midst of the rich maize and wheat zone of Western Nandi near Lake Victoria, Mr. Ndungu Kimani is cornering the bread market between Bungoma and Eldoret. Kimani, who has been in the hotel, restaurant and saloon business since his late teens, has developed a thriving bakery business in Kenya's "bread basket."

I met with Mr. Kimani's manager, Moses Gitonga, early Monday morning, and with the assistance of banker turned translator Christopher Ajeri (neither Kimani nor Gitonga spoke much English) we discussed the thriving bakery business which was assisted by a USAID/KCFC loan of Kshs.230,000.

Mr. Gitonga, who kept extensive accounting records since his arrival in late 1984, is an ex-police investigator turned farmer/entrepreneur. He keeps the company books as a side business. "I had to know some accounting in order to investigate bank and business fraud while with the police," he explains. The business, which produces 2,300 loaves of bread per day (approximately 4,000,000Kshs./year in sales) approached Kenya Commercial Bank to obtain a loan for dough mixing and loaf making equipment. The management of KCB, who knew Mr. Kimani as a regular and good customer, explained that the AID/KCFC scheme would best suit his needs.

Since the machinery was obtained, sales have increased by 50% (production of 5,800 loaves/day, 200 which are sold through his retail shop, the balance to area shops wholesale). And employment is up from 25 to 32 full-time bakers, (9 are women). "We run 24 hours a day 7 days a week, and sell every loaf produced," boasts Mr. Gitonga. "Merchants know that our bread is better, with a shelf life of 7 days," compared to 2-3 days for other breads whose cooking process is shorter than Muchanganyiko's. The bread is baked in large, wood fueled brick ovens. But they complain of capacity. The wood ovens, although inexpensive to run with scrap wood from local saw mills, can only bake 300 loaves every hour. Mr. Kimani has approached KCFC for another loan to purchase an electric oven which would bake 450 loaves in half the time. Despite his excellent payment record, KCFC's conservative loan policy will not allow another medium term loan until the first is paid off. He has raised the Kshs.380,000 to buy the oven himself, but the dealer who imports the ovens from Denmark will not order the equipment without up front cash from the customer or a bank guarantee.

"I cannot afford to tie up my resources while an oven is shipped to Kenya." Mr. Kimani is still working on an acceptable solution to this problem.

WILLIAM SAINA

Loan Amount: $27,300

Purpose: Purchase tractor for local ploughing.

Forty kilometers west of Eldoret is some of the richest agricultural land in Kenya. Maize, beans and wheat are grown, and large herds of dairy and beef battle raised. The dry season had just begun and the local farmers were busy harvesting their grain and shipping it to the government-owned elevators.

Laban Saina, the 27 year old son of William Saina, was in the process of repairing the farm's water pump. He graciously invited me into his home, cleaned up and had his wife prepare a fine lunch of agali and eggs, topped off with fresh milk from his dairy herd. The Saina's approached KCB in 1984 for a loan to purchase a new tractor, since their other one was too small and old for their 700 acre maize, wheat and cattle operation. KCB helped the family apply for a 410,000 Kshs. loan from the AID/KCFC scheme. "We had a lot of problems with the initial application," recalls Laban. "Most of it had to do with obtaining the title for our farm from the Kenya Agriculture Finance Corporation, through whom we purchased our land 20 years ago." Once the question of collateral was straightened out, their loan was processed and approved and the family bought a new Massey Ferguson tractor, a trailer, and several other implements.

"We haven't received much advice from the bank since we obtained the loan, but their suggestions during the application process were invaluable to us," Mr. Saina stated. The principle suggestion was to rent the tractor's services to area farmers when it wasn't needed on the farm. Although demand varies greatly depending on the season, ploughing and seeding services have netted the Saina's Kshs.14,000 over fuel, loan repayment, labor and depreciation. "The tractor is more than paying for itself, including doubling the acreage we can cultivate in the same amount of time." As for competition in the area for our services, it is apparently there, but Mr. Saina has worked out a successful formula. He offers farmers credit which no other tractor service does, and has been pleased with the paybacks. "Very rarely will a neighboring farmer renege on a debt." He also ploughs in exchange for acreage. "I'll offer to plough a 10 acre plot if the farmer allows me to use 2 or 3 for my own production. The farmer doesn't mind since he normally wouldn't plant his whole acreage due to a lack of inputs or manpower, and I increase my acreage."

The family is well suited for this business. Mr. Saina has been recognized as one of the top farmers in the region for several years running. His son Laban is following in his footsteps, integrating their tractor service with maize, wheat and cattle operations. Conveniently, another son is a certified mechanic.

SUGAR CANE HARVESTING

Loan Amount: IMA Haulers - $66,600
Musola Agriculture Ltd. - $200,000

Purpose: To purchase equipment to harvest and transport sugar cane.

IMA Haulers and Musola Agriculture Ltd. are very similar and yet very different. Both have a fleet of farm tractors, trailers and claw tractors for harvesting sugar cane for Mumias Sugar Company of W. Kenya, the country's largest sugar refinery. One owner is of Asian decent, the other an African. But their approach and success at this newly privatized business contrast sharply.

In 1983 the Government of Kenya allowed Mumias Sugar Company, a parastatal, to contract as much as half of its cane hauling business to private companies. The company produces 186,000 tons of sugar annually, which requires over 200,000 acres of sugar cane. Sugar cane is normally ploughed, planted, fertilized, weeded and harvested by the company, which pays local farmers for the use of their land. To go outside to contract for haulers was a radical step, but a necessary one. Delays in delivery by company hauling had resulted in plant shutdowns and cane rotting in the fields. Private contractors greatly improved the delivery time of cut cane to the mill.

IMA Haulers was formed in 1982, when the Saini family sold its sugar cane plantation near Kisumu and went into the hauling business. The father had worked in farming and transportation his whole life, but his two sons were most interested in obtaining the transportation contract. They purchased IMA, a rundown transport operation in Mumias and used an AID/KCFC loan to repair and replace old tractors, build a repair shop, and streamline operations. An additional loan from Diamond Trust Company helped purchase other equipment. The Diamond Trust Company loan operates much like an auto loan would in the U.S., with the owner putting down 40% of the purchase price and then financing the balance over 2 years at 20% interest.

Now they have nine John Deere tractors/trailers and three California-built claw tractors to lift cut cane from the field to the trailers. They earn 600-700,000 Kshs. per month and employ 80 men (an employment increase of 60% over the previous owner). Most staff are trained in either maintenance/repair or tractor operations. IMA's profit margin has increased from 15% in their first year of operation to 25% now, mainly due to "more efficient and reliable machinery as well as a competent staff to maintain and run it," explains Mr. Saini. "My only complaint is that the sugar company won't let us work up to our capacity, which could be 7 days per week." The mill is closed on Sundays, but only permits the contract haulers to work 4 of the remaining 6 days in order to ensure a steady supply and equal distribution of work between the 5 companies. "We each handle about 20% of the 46% of acreage the company has allocated to us. There is not competition, only with yourself to keep your costs as low as possible." He is grateful for the AID/KCFC loan which has given him the ability to attain this goal.

IMA's assets have grown from 4 to 8 million Kshs. in a period of 4 years with a 50% leverage of equity. Their plan at this point is to remain as efficient as possible and to negotiate with the sugar company to access more of the hauling business to the private sector.

Musa Mosanik is the Director of Musola Agricultural Contractors, Ltd., the only indigenous African company under contract with the Mumias Sugar Company. He and his brothers Solomon and Lawi (Mu-Sol-La) pooled their resources and purchased some land and two old tractors to start up the business. Through a tip from a friend he approached his bank, KCB, to apply for a USAID/KCFC long-term loan to purchase additional equipment. They borrowed 3,000,000 Kshs. using family land as collateral. They then purchased 7 John Deere tractors, 14 trailers, two loaders and a pick-up truck. The balance of the loan was used to purchase spare parts and construct and equip a maintenance shanty.

Musa does well, averaging Kshs.800-900,000 per month in business. But he has a large debt to repay, including one to Diamond Trust Company for four tractors. Despite the good, steady cash flows, his high leverage and loan repayments result in negative cash flows at the end of each month. He admits to being late with several interest and at least one principal payment. He points a finger at the sugar company. "They only allow us to haul 2,500 tons daily, 4 days per week. We have the capacity to haul 3,500 tons 7 days per week. If they increased our tonnage and added one more day, we could easily manage." Further questioning revealed that KCFC has only involved itself in the loan feasibility study and post loan delinquency letters. But Musa doesn't expect any more from them. "They just want their money back, wouldn't you?" He has attempted to economize by building his own trailers at a savings of 55,000 Kshs. for each one he builds. He has not considered laying off his work force or using the idle machinery for other purposes, such as ploughing cane fields. He expects things to work out but can offer no strategies to attain this end. Perhaps the best strategy has already been summed up by his "competitor," Mr. Saini at IMA, who said the main competition is with yourself to keep costs as low as possible in order to increase profit margins.

KENBY CABLES

Loan Amount: $200,000

Purpose: Purchase equipment.

In mid 1983, East African Cable company began to slash their prices for single strand electrical wiring used to wire homes and businesses. This was the only product line of Kenby Cable and it became apparent to Mr. Patel and his son, the general manager of the factory, what East African was doing. To avoid being driven out of business they decided that they must expand their product line to include other types of electrical cable.

Mr. S. Patel was an acquaintance of the manager of Kenya Commercial Bank of Kisumu, Kenya, who alerted him to the new AID/KCFC loan scheme for just such business needs. Kenby wanted a longer term loan, since the necessary machinery required a large capital investment. A Kshs.3,000,000 loan was negotiated at 19% interest over eight years, including a two year grace period. This allowed Kenby to purchase machinery which coats 2 strands of wiring used in exterior work. It also allowed them to begin producing much larger, coated electrical cable used by electric companies for underground transmission lines.

The competition has been checked and Kenby has increased its sales and market share for domestically-produced electric wiring. "With the movement towards rural electrification by the Kenyan Government, demand has gone way up for our products. We have two months of back orders to catch up on," explains Patel.

Since purchasing the new equipment, he has doubled sales to 9.2 million Kshs. per month. His profit margin has also risen to 35% because of the more efficient processes the machines employ. Employment has risen from 10 to 18 workers, most of whom were unskilled before the Patels hired them. "We like to hire young, inexperienced workers and train them, so that they will not be bringing any bad habits they may have developed elsewhere with them." He intends to hire four more workers and add a second shift on one machine in the next two months.

Although the inputs (rolls of copper and polyvinyl chloride) are imported, he has had no supply problems. "The Government recognizes the importance of what we are doing here, so we have been able to assure our suppliers in Europe that they will receive the foreign exchange." He said he would like to use more African-produced inputs, such as copper from Zambia, but the quality is not up to standards and the supply-line is not dependable. "East African Cable has purchased a factory in Kenya which can recycle old copper into wiring, but they have not opened it for business. They just can't find adequate supplies of scrap copper to run the place."

Despite the dependence on imports, the significant value added (approximate 4 times) and the increased employment make this project a very successful example of what can be done with lending to the small industrial sector in Kenya.

KIMANI KARANJA

Loan Amount: $26,700

Purpose: Construct coffee factory

Mr. Kimani's 12 acres of mature coffee are spread out over 3 different shambas (parcels). In 1983 he had begun construction of his own coffee factory. Through a Kikuyu translator Mr. Kimani said in 1983 his few acres produced 53 tons of coffee. Processing his volume through the local coop took too much time. He felt he wasn't really getting what his coffee was worth after deductions by his coffee society, district committee, and cooperative for handling and processing fees.

A long term KCB customer, he had enjoyed a 100,000 Kshs. overdraft facility with the bank. He heard about the OPEC financing scheme and went to apply, but all OPEC funds were committed. KCB referred him to the KCFC/PRE scheme.

Mr. Kimani estimates that his up-front costs for documentation totalled 33,000 Kshs. which he paid from the 400,000 he borrowed. In addition to seeing a lawyer, an accountant/business advisor, and a valuer, he also found himself dealing with KCB in Kiambu and KCFC in Nairobi. What he needed was one stop banking where his needs could be handled. Still, he never considered going elsewhere as KCB is his bank and where he is known.

The coffee factory consists of a berry hopper, pulper, grinder, sorter, a series of concrete tanks for fermenting and washing, and long chest-high tables for drying. He hasn't added any employees to his operations, but will train some of his 8 full time workers to operate the coffee factory. Even though the factory will operate only a few weeks a year, Mr. Kimani figures he will benefit immediately as this year the difference between processed and unprocessed grade one coffee is 6 Kshs/kilo. And Mr. Kimani will get the full price from the parastatal KPCU whereas before he got paid only a portion of the KPCU rate through his cooperative.

Mr. Kimani is doing so well he is paying off his loan ahead of schedule. On November 26, 1986, well before he had been fully paid for or even completed his fall harvest, he was 40,000 Kshs. ahead in his payments, the equivalent of two quarters. Although he wanted to borrow long term and was disappointed when his schedule was reduced from seven to six years by KCFC, Mr. Kimani is in a hurry to pay up. He wants to reduce his future interest payments, which he considers high at 19%. And he is preparing for the poor harvest he knows will come sometime in the next five years. Then, he doesn't want to ask for rescheduling and wind up having interest and principal payments accrue at 19%.

Mr. Kimani has no plans to add to his coffee farm and will leave his three remaining acres in subsistence crops. He's making enough he says. His ambition is to pay off the loan as soon as possible. He will then take another loan to buy commercial property in Nairobi.

Two of Mr. Kimani's children are pursuing advanced degrees in Texas. He would like to visit, he said, but not until he's paid off his loan.

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: FAR EAST BANK & TRUST COMPANY, 940-0002.40 I
PURPOSE: Provide loans to small and medium scale businesses involved in the manufacture or marketing of products for export, $2.6 Million

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	JOBS/ FEMALE	+ % SALES	EXPORTS	OTHER/ IMPORT
Alfred Company	Wood Products Export	N		E	$34	WC				
Amancor*	Rattan Furniture Export	E		E	$57	WC			H	Export to U.S.
Arc-Men	Plastic Packaging Manufacturer	N	M/F	D	$127	WC				
Asean Timber	Wood Products Export	N	M/F	E	$29	WC				
Atillor Rattan	Rattan Furniture Export	N		E	$20	WC				
Brillo	Handicrafts Manufacture	N		E	$10	WC				
Crismina	Garments Export	N		E	$137	WC				
Daceber	Charcoal Export	N		E	$37	WC				
Eastar	Wood/Agri. Products Export	N	M	E	$300	WC				
Erma	Frozen Food Export	N	M/F	E	$63	E				
FCG	Ethnic Food Export	N	M	E	$114	E				
FEMS*	Ladies Garment Export	N		E	$203	WC				
FIL-Asia*	Handicraft Export	N	M/F	E	$22	WC		-55	H	
Grace Park	Wood Products Export	N	F	E	$24	WC				
Green Orient	Agricultural Products Export	N		E	$36	WC				
GTI Sportswear*	Blue Jeans Export	N		E	$140	WC				
Integrated Marine	Marine Products Export	N		E	$195	WC				

* Site visit report attached

As of December 1990

INSTITUTIONAL IMPACT

1. SMSE Lending increased.
2. Collateral Requirements decreased.
3. Loans made based on cash flow analysis.
4. Streamlined future PRE loan agreement between Depository and Local Lending banks to reduce cost of program administration for A.I.D.

KEY

C = Construction
WC = Working Capital
E = Equipment
I = Inputs
X = Expansion

H = High
M = Medium
L = Low

1547-018/01
(3/91)

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: FAR EAST BANK & TRUST COMPANY, 940-0002.40 I
PURPOSE: Provide loans to small and medium scale businesses involved in the manufacture or marketing of products for export, $2.0 Million

As of December 1990

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT				INSTITUTIONAL IMPACT
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE (000)	USE	JOBS/ FEMALE	+ % SALES	EXPORTS	OTHER/ IMPORT	
JBL Sales*	Prawn Export	N		E	$157	E	27	600	H		
J.R.	Child Garments Manufacturer	N		E	$12	WC					
Lasin Cottage	Handicrafts Export	N		E	$57	E					
Liaif Oil Mill	Crude Oil Manufacturer	N		E	$292	WC					
Magora Rattan	Rattan Furniture Export	N		E	$15	WC					
Manetii	Garments Manufacturer/Export	N		E	$34	WC					
Mayon*	Garments Manufacturer/Export	N	M/F	E	$27	WC					
Mech. Factors*	Prawn Farming	E		E	$418	WC			H	Export to U.S.	
National Filter*	Auto Filter Manufacturer/Export	N	M	D	$47	WC				Import substitutions	
Oceanlight	Marine Products Export	N		E	$187	WC					
Poulton	Shellcraft Export	N		E	$13	WC					
Pescanova	Marine Products Export	N	M	E	$126	E					
Pete Galong*	Artificial Flower Manufacturer	N	M	E	$29	WC			H	Exports to U.S.	
Phil Carpet	Carpet Export	N		E	$43	E					
P.M. Relova	Wood Products Manufctr/Export	N		E	$15	WC					
Saldana & Co.*	Child Garments Production/Export	E	M	E	$80	E			H	.	
Sampaguita	Coats & Jackets Export	N		E	$29	E					

* Site visit report attached

KEY

C = Construction		H = High	
WC = Working Capital		M = Medium	
E = Equipment		L = Low	
I = Inputs			
X = Expansion			

1547-018(D)
(3/91)

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: FAR EAST BANK & TRUST COMPANY, 940-0002.40 I
PURPOSE: Provide loans to small and medium scale businesses involved in the manufacture or marketing of products for export, $2.0 Million

As of December 1990

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT				INSTITUTIONAL IMPACT
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	JOBS/ FEMALE	+ % SALES	EXPORTS	OTHER/ IMPORT	
San Miguel Bay	Shrimp Export	N	M/F	E	$24	WC					
Shellcraft	Shellcraft Export	N	F	E	$9	WC			H		
Seatrade	Prawns Export	N		E	$73	E					
Seven Seas	Garments Export	N		E	$33	WC					
Sindo	Rattan Furniture Export	N	M	E	$12	WC					
Special Ladies	Sweaters Export	N		E	$39	WC					
STA Agenda	Woven Products Export	N	M/F	E	$27	WC					
Tag Fibers	Abaka Fibers Export	N	M	E	$102	E					
Targa	Doors & Mantels Export	N		E	$73	WC					
Top-Stitch	Garments Manufacturer/Export	N		E	$160	WC					
Trans-Philipp	Handicrafts Export	N		E	$145	E					
Vimer	Agricultural Goods Export	N		E	$28	E					
Vicardi	Ski Jackets Export	N		E	$42	WC					
Wink	Sportswear Export	N		E	$49	WC					
Aminphil Heritage	Furniture Manufacturer	N		E	$275	WC					
Creative Lines	Non-traditional Items Exp.	E		E	$229	WC					
Dilag Enterprises	Handicrafts & Charcoal Exp.	E		E	$137	WC					

KEY

C =	Construction	H =	High
WC =	Working Capital	M =	Medium
E =	Equipment	L =	Low
I =	Inputs		
X =	Expansion		

• Site visit report attached

1547-018/01
(3/91)

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: FAR EAST BANK & TRUST COMPANY, 946-0002.40 I
PURPOSE: Provide loans to small and medium scale businesses involved in the manufacture or marketing of products for export, $2.0 Million

As of December 1990

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	JOBS/ FEMALE	+ % SALES	EXPORTS	OTHER/ IMPORT
Erma Industries	Frozen Products Export	N		E	$687	WC				
Ferm Export •	Import/Export Various Merchandise	N		E	$28	WC				
Galleria Crafts	Mfr./Exporter of X-mas Decor	E		D/E	$92	WC				
Las Palmas Rattan	Furniture Manufacturer	N		D/E	$69	WC				
Lincoln Gerard	Furniture Manufacturer/Exporter	E		D/E	$69	WC				
Lui Garments	Garment & Thread Manufacturer	N		D/E	$137	WC				
Pacific Arts & Decor	Furniture Exporter	E		E	$9	WC				
Roque Cantos	Shellcraft Export	E		E	$46	WC				
SMN Traders International	Prawn Exporter	E		E	$46	WC				
Stonestyles Manufacturing	Inlaid Furniture Mfr/Exporter	N		D/E	$92	WC				

INSTITUTIONAL IMPACT

KEY

C =	Construction	H =	High
WC =	Working Capital	M =	Medium
E =	Equipment	L =	Low
I =	Inputs		
X =	Expansion		

• Site visit report attached

1547 018/01
(3/91)

NATIONAL FILTER MANUFACTURING CORP.

Loan Amount: $48,908

Purpose: Auto Filter Manufacture

National Filter Manufacturing's credit request sparked a lively exchange between FEBTC's credit department and the account officer in the Business Development Group.

Originally based in Singapore, National Filter relocated to the Philippines in order to take advantage of lower labor and overhead costs and fiscal incentives. The company is a joint venture with Singaporean and Filipino owners and was the country's first manufacturer of throw-away auto filters. It was given tax and duty exemptions on imported capital equipment, and a number of tax concessions by the government. The company was started with stockholder capital and applied for credit only after starting its operations. Its president, James Kua, has numerous investments in other parts of the Philippines as well as internationally.

Given the level of sophistication of the company's management, it was not surprising that the company was able to bargain with a number of lenders and negotiate favorable interest rates with FEBTC. Although two other banks were offering credit, the company obtained approval for a case-by-case export credit from FEBTC in August of 1986. It first availed itself of this credit in October of the same year.

The account officer reported in detail on negotiations which indicate that the account was aggressively sought by the account officer, despite hesitancy on the part of the bank's credit department. This hesitancy was based partially on the fear of possible import restrictions, foreign exchange fluctuations, and the lack of a nationwide distribution system. Credit information reports were done in February 1986 and repeated a year later, and denial was recommended. The resultant argument on paper between the credit and the business development departments of FEBTC illustrate the bank's procedures. In response to the denial recommendation, the account officer wrote: "The study's preoccupation with the role of domestic sales misled the readers into the false impression that the company will not survive without it (a nationwide distribution system). Of total vehicles registered in the country, 40 percent were in Metro Manila resulting in demand of 1,432,683 filters per annum, more than enough to absorb the plant capacity." To this the credit department replied, after repeating its case and acknowledging the account officer's argument: "As a result there will be differences in opinion that should make for a healthy exchange of ideas and that would have to be resolved ultimately (at a higher level of bank management)." Management eventually approved funding of a secured credit line of P1,600,000 ($78,431). The line was secured by a mortgage on machinery and equipment and the personal guarantees of two of the company's principals. The approval process took four months to complete.

In February 1987, the company applied for renewal of its line and an increase to P1,950,000 ($95,588). This request was approved rapidly as the company had established a good track record with the bank. Reporting at the time of this renewal request, the account officer noted, "Debt servicing was likewise smooth with no problem whatsoever. The

17

company has survived despite strong competition posed by imported brands. In the final analysis, the company has manifested its capability to survive in an industry dominated by foreign brands because of its superior technology to produce products whose quality matches and even surpasses the imported ones. Apparently, the market is not only accepting their products but also the pricing strategy of the firm."

Again the credit department took a cautious line citing the existence of a competitor who was developing its own throwaway filter, and the increasing amount of bank borrowing which was replacing stockholder advances and thus creating a greater interest burden on the company. In that there was still some concern about the risk of this investment, the credit was expanded and continued under the guarantee program.

FIL-ASIA TRADING CORPORATION

Loan Amount: $22,000

Purpose: Exporter of shells, baskets, and wood products

Fil-Asia Trading Corporation was incorporated in 1980 and currently exports basket wares (70 percent of salcs), wood wares (20 percent) and shell wares (10 percent). Products are manufactured by subcontractors throughout the Philippines. The company's main export market is Japan, where 60 percent of sales are to direct buyers, and 40 percent are to a major trading company.

In 1985, Fil-Asia had net assets of $14,695, sales of P3,682,803 ($180,530),a nd net profit of P17,790 ($872). Sales for 1985 fell by 55 percent over the previous year because of a government import duty imposed in Japan. This duty was abolished in the second quarter of 1986, and sales have rebounded to previous levels.

Fil-Asia has received two credit lines under the guarantee facility, and as of August 31, 1987, has an outstanding export credit for P295,450 ($14,483).

PETE GALANG, INC.
Laguna

Loan Amount: $106,586 packing credit; $24,510 under guarantee

Purpose: Manufacturing of artificial plants and flowers

Pete Galang, Inc. is a family owned corporation started in 1981. The company manufactures and exports artificial plants and flowers and other handicrafts. Its office and plant are located in Laguna, where 40 to 50 employees work in the plant. Net assets in 1984 were $164,236. Gross sales in 1985 were P3,865,000 ($189,461) and net income was P1,583,000 ($77,598).

Pete Galang, Inc. markets primarily to the U.S. through its exclusive distributor, International Floral Fashions, Inc. This distributor has ties with over 3000 interior design stores, and also has its own distribution centers.

Current production is over 700,000 pieces per month, but due to sustained strong demand in the U.S., the company cannot produce enough to fill all its orders. To solve this problem, Pete Galang plans an expansion of P1.6 million ($78,431) which will more than double production capacity. To implement this plan, FEBTC granted the company a P2,174,370 ($106,587) Packing Credit Loan at 17 percent interest, and a P1 million ($49,020) term loan. P500,000 of the credit line is covered by the A.I.D. guarantee facility.

JBL SALES CORPORATION

Loan Amount: $156,863

Purpose: Prawn exporting

JBL Sales Corporation was established in 1977 as a trading company engaged in the manufacture of stainless steel couplings, distribution of construction supplies and general hardware. The company shifted to shrimp exporting in 1979.

Today JBL Sales Corporation hatches, grows and exports prawns to Japan. In 1985 JBL Corp. accounted for 13 percent of total Philippines prawn exports and was the third largest prawn exporter in the country. JBL Corporation processes four species of shrimp and has three processing plants with a total annual capacity of 2,880 metric tons per year. The company has had problems obtaining shrimp supplies sufficient to meet orders, and this has resulted in substantial underutilization of capacity; actual 1985 sales were only 623 tons. In 1985 JBL Corporation had net assets of $341,520, gross sales of $5 million, and an estimated net profit of $174,000.

The company's supply of prawns comes mostly from private fishponds, and this supply has been highly unreliable. In 1984, JBL Corporation decided to solve its supply problem by starting its own ponds. It constructed 194 hectares of ponds as well as a hatchery in Cebu. Once the hatchery began production, it yielded 20 percent of JBL's fry requirements; total production of shrimp in all ponds was only five percent of JBL's sales volume by 1985.

To finance the company's development of shrimp and hatchery ponds, JBL Corporation began borrowing from FEBTC in early 1986, when a P4 million ($196,078) line of credit was approved. The company had an established credit record, with current or previous lines of credit from five other banks, the largest credit having been a P8 million ($392,157) export packing credit line. On the other hand, the company was considered highly risky by FEBTC because it is a rural agribusiness and its financial statements did not clearly reflect FEBTC's assessment of JBL's operations. For that reason, credits to JBL Corporation were put under the PRE guarantee facility.

In 1986, JBL Corporation was hit by a series of difficulties. In the summer of that year a prawn glut in the Japanese market severely cut demand for JBL's prawns. In September of the same year, JBL's ponds were severely damaged by floods, and the company had to sell three processing plants to meet cash flow needs. In early September 1986, JBL's labor force struck to demand benefits that had been promised but not delivered by the company's management. This strike made it impossible for the company to ship shrimp that had been ordered.

In the face of these setbacks, JBL Corporation went past due on a $39,110 export credit, and a legal collection letter was sent by FEBTC on September 25th. On October 30, 1986, an export credit that had been advanced in June went past due, and negotiations continued between FEBTC and JBL Sales Corporation management to reach a settlement. JBL

Corporation management informed FEBTC that the company had solicited a major investment from a Japanese client, and the company was waiting for a final answer to its proposal. In the meantime, FEBTC requested $78,138 from Rainier Bank against the PRE Standby Letter of Credit. To date, no settlement has been reached with JBL Corporation, but negotiations are continuing and seem to reflect a sound collection effort.

AMANCOR, INC.

Loan Amount: $57,485

Purpose: Furniture manufacturing

Amancor is one of the top five exporters of rattan furniture in the Philippines. The company was registered with the Securities and Exchange Commission in 1976 as Atillos Manufacturing Corporation, and changed its name in 1980 to avoid confusion with another Atillos family firm which was also in the furniture business. The Atillos family had been involved in furniture manufacturing since 1948, and Amancor was founded by the younger son of the family's head.

Amancor had been a customer of FEBTC prior to the A.I.D. guarantee facility. Due to a combination of adverse circumstances, however, the bank did not want to renew Amancor's credit, and bank officials decided to put the new credit under the guarantee facility until things settled down. The most important of the problems was series of strikes that began in June and August of 1986, resulting in a substantial decrease in production. Shutdown costs and interest expenses resulted in an operating loss of P1.7 million ($83,333) and a net loss of P2.6 million ($127,451) in 1986. At the end of the year Amancor had past due accounts amounting to P1,185,000 ($58,088) with Metropolitan Bank and Trust and FEBTC. During the period from January 1986 through March 1987, however, the company had generated slightly over $2 million in foreign exchange earnings. Through the arrangement with FEBTC, the company was able to refinance its past due obligations through a substitute confirmed letter of credit.

Although there was risk involved in the investment, both the company and the overall market outlook were generally encouraging. Industry sales growth was at 19.5 percent from 1980 to 1985 despite national economic problems, and the company had maintained steady sales growth from P2,716,000 ($133,137) in 1980 to P7,925,000 ($388,480) in 1984. Ninety-five percent of the firm's exports were to the United States.

The credit line was made available against the signatures of the company's principals, a mortgage on merchandise inventory at about 50 percent of its appraised value, and confirmed purchase orders or export L/Cs at 80 percent of face value. The company also agreed to course at least US $1 million worth of exports through the bank and maintain its deposits at FEBTC.

The borrower risk ratings of the company dropped from three to four, and then to five between 1984 and the time of request for renewal of its credit line in late 1986. For this reason, the initial recommendation of FEBTC's credit department was to deny renewal. However, with the prospect of an acceptable net income margin for the bank resulting from the foreign exchange and deposit transactions of the company and with the availability of the PRE guarantee program, the bank approved the company's request.

MECHANICAL FACTORS PHILIPPINES, INC.

Loan Amount: $417,552

Purpose: Shrimp production and machinery distribution

Mechanical Factors has been in the business of trading in agricultural machinery since 1975. Its principal business has been the distribution of a popular kind of Japanese rice milling equipment for which it is the sole distributor.

In 1983, however, it was severely affected by the economic crisis in the Philippines, during which the peso suffered a major devaluation. The company's major trading partner, in fact its only trading partner at the time, Toya Menka of Japan, advised Mechanical Factors to venture into prawn raising for export to Japan in order to finance its imports.

The company began its shrimp operations by establishing buying stations throughout the country in 1984, and has since established its own production facilities in two locations. Born of necessity, its shrimp export activities have become a major part of its operations. During the same period, the company expanded its client base from the one Japanese company to four major Japanese and three American customers.

As a regular customer of FEBTC for many years, the company was placed under the guarantee facility as soon as the project started. Although its trade in agricultural machinery was well established, lending for its venture into shrimp export was considered risky. A credit appraisal undertaken by the bank in mid-1987, however, revealed the very successful history of this venture and that it had been a profitable investment for the bank.

Although its trade in agricultural equipment remains 50 percent of its business, and it received in early 1987 a P44 million ($2,156,803) contract for machinery, the company's diversification into shrimp production and export pulled it through the crisis and has proved its potential. Shrimp exports in 1986 amounted to over $3 million. The company's net income after tax increased by over 400 percent between 1985 and 1986 officially, and internal accounts made available to the bank indicated that actual profits were perhaps higher.

The company's P4 million ($196,078) term loan for expansion, which was fully secured with 200 percent collateral, was supplemented by an export credit line of up to P1.5 million ($73,529) in August 1987. At this time the company was able to present a contract for processing four metric tons of prawns every six months with a profit margin of P2 to P5 per kilo and the company's manager was a personal friend of the First Vice President of FEBTC. The bank's interest in maintaining this customer was also stimulated by the fact that the total income generated for the bank by the Mechanical Factors accounts during 1986 was P1.2 million with a yield on net funding of 31 percent. Despite these favorable conditions, the credit department was concerned about the bank's credit exposure, and requested assurances from the company that its earnings were not being drained off into other enterprises.

FEMS GARMENT INDUSTRIES CO., LTD.

Loan Amount: $202,975

Purpose: Garment manufacturing and export

FEMS Garment Industries is a major manufacturer in the Philippines and is one of a group of FEMS companies located throughout the Far East, the United Kingdom, Egypt and South Africa. Majority ownership is in the hands of individuals of Indian origin, and the president and general manager is a naturalized Filipino citizen. The firm employs 100 workers in its main plant and subcontracts with approximately 30 small producers, each with an average of ten workers. As of the end of June 1986, the company held over P12 million ($588,235) in net assets.

FEMS had been a customer of the Philippine Commercial International Bank until it followed its account officer to FEBTC when she moved. As is often the case with new customers, the exchanges between the account officer and the credit department of the bank were spirited.

While the company was very profitable in the Philippine context, having constructed its own building at a cost of P25 million ($980,392) financed fully from equity, and had an established customer base of 40 buyers around the world, the credit department analysis gave it a relatively low credit ranking of four on the basis of their analysis that most of the profits were held in Hong Kong. There were also suspicions in the credit department that the firm was not exporting as much as it claimed, and that it was embarking on a P10 million ($490,196) expansion plan which would increase its interest burden. The fact that a large portion of its production was farmed out among a number of subcontractors was also viewed as a structural weakness. The credit department recommended denial of the application.

The account officer objected to the analysis, and because of her long established relationship to the client was able to obtain the client's in-house statements.

The account officer, commenting on the credit department's objections, pointed out "The company can actually finance the (proposed expansion) through internally generated funds." The credit department maintained its position, and refused to recommend a credit line.

In late 1986, a P1.5 million line of credit was approved, placed under the guarantee facility in recognition of the credit department's initial concerns, and collateralized by a mortgage on FEMS' property valued at 300 percent of the credit line. By September 1987, however, the company had graduated to unguaranteed facilities.

GTI SPORTSWEAR CORPORATION

Loan Amount: $140,089

Purpose: Garment Manufacturing and Export

GTI Sportswear, whose specialty is jeans manufacturing, ranked third in terms of export sales among garment manufacturers in the Philippines in 1985. The 1984 economic crisis in the country, however, severely reduced the company's profits. The value of 1984 export sales dropped to half compared with 1983, and decreased even further in 1985. This drop was caused, for the most part, by import restrictions that resulted in reduced margins previously obtained through direct raw materials purchases. At the same time, debt service costs were increasing because of rapidly rising interest rates. Income estimates in 1984 before debt service showed a loss of P7,778,000 ($381,275) and an after debt service loss of P21,338,000 ($1,045,980). This was in contrast to a pre-debt service positive income of P26,344,000 ($1,291,373) in 1983. Fortunately, in that same year, the company had reduced its loan principal balances by P14,213,000 ($696,716).

When the situation rectified itself in early 1986, the company found itself strapped for cash although its sales were rapidly growing to their earlier levels. The company approached FEBTC in October 1986 for an export line of credit of P1.5 million ($73,529). Although the company was generally regarded as a good credit risk overall, its temporary situation made extension of credit risky in view of existing obligations to other financial institutions of approximately P29 million ($1,421,569). Because of the significant potential for additional business, and the availability of the guarantee facility as protection, FEBTC granted the requested line.

The bank was on the crest of a wave. After-tax income for the company increased by 600 percent from 1985 to 1986, and as of April 1987 net income for the first three months of the year was already three times the total for 1986. GTI was quickly graduated into the bank's regular credit facilities when its export line came up for renewal.

These business improvements were reflected in the formation supplied to the bank for renewal of GTI's credit lines. Foreign exchange earnings increased from $2,236,579 for the period January to August 1986, to $3,582,178 for the period September 1986 to March 1987. A substantial portion of this was coursed through FEBTC. The company's assets had increased by P14 million ($686,275) over the same period, and the number of employees grew from 847 to 874.

SALDANA AND COMPANY

Loan Amount: $80,299

Purpose: Garment manufacturer and exporter

Saldana and Company is another major garment manufacturer and exporter in the Philippines. Established in 1946, it is part of a large family-owned business made up of a number of companies including Eastern Carpet Manufacturing Incorporated, a subsidiary run by one of the sons. The companies, and the family, are long time FEBTC customers.

Saldana and Company had enjoyed a P7 million ($343,137) omnibus line with the bank dating back to its beginnings. The earlier line had been collateralized by the family's real estate holdings worth 200 percent of the loan.

Like many Filipino companies, the Saldana enterprises had suffered severe reversals at the time of the economic crisis in 1983-1985. The most devastating impact was felt by the carpet manufacturing firm which had made a substantial investment in expansion just before the bottom dropped out of the market, and stiff competition arose from Korea, Taiwan and China. At the time, Saldana requested an increase in its omnibus line to P10 million ($490,196) in June 1986, the carpet firm was facing bankruptcy.

Furthermore, in early 1986, the mother of the family, longtime manager of the garment manufacturing company, died, and the father was already semiretired. The son inherited his mother's stock and at the time of the loan request, became manager of Saldana and Company.

The garment company had an export credit line of P5 million ($245,098) secured by the signatures of the father and son, and the company's June 1986 request for credit involved a consolidation of its two existing lines into an omnibus line, including an export credit line of approximately P900,000 ($44,118).

The major concern of the bank was the relationship of Saldana and Company to the failed carpet manufacturing enterprise. The failure of this company cast some doubts on the management capabilities of the son, and stimulated fears that credit might be diverted to the failed company.

Nevertheless, the bank, because of its longstanding relationship with the family, approved the credit consolidation, putting the export portion under the guarantee facility, and obtaining agreement that funds would not be diverted to the carpet company.

While the credit line is still regarded as a risk, the bank was amply rewarded with collateral business. In the first two months of 1987 the firm had coursed $600,000 in foreign exchange transactions through the bank. According to bank officers, the family had paid off the debts of the carpet manufacturing firm by mid-1987, and had started production on a small scale for the local market.

MAYON GARMENTS

Loan Amount: $26,748

Purpose: Garment manufacturing and export

Mayon Garments is a cottage industry and small business success story. The operation was started from the residence of Adelaida and Narciso Quesada in 1976, after Adelaida completed a dressmaking and tailoring class at the Marikina Institute of Science and Technology in the Philippines. The couple first started as subcontractors and, after receiving a number of small orders from the U.S., Canada, West Germany and Holland, started their own business in 1981.

They obtained a lease financing facility from FEBTC at the end of 1981 that helped pay for some of their equipment and a rented lot. That loan, collateralized by their production machinery, was fully paid off ahead of time in late 1985. They had also received an export credit line from another bank when they received their first L/Cs from FEBTC. Their sales expanded rapidly to reach an annual average of $200,000 between 1982 and 1984 and then dropped dramatically when Narciso, in his late 40s, returned to the U.S. to obtain his MBA, specializing in industrial management.

Upon his return, the company moved to the export promotion zone at Cavite, becoming the first firm to operate from this zone. This move gave the company the advantage of tax exemptions available under a new export promotion zone act. The company had reinvested its earnings wisely, using credit from FEBTC to finance high powered sewing machines and cutters in 1984. The decision to scale down production during the year of study abroad was also serendipitiously timed so that it avoided severe effects of the economic crisis of 1984.

Although the past history of the company revealed consistent early payment of revolving export lines of P100,000 ($4,902), and it supported a request for increased facility up to P500,000 ($24,510) with firm orders amounting to $122,200 from the U.S., the bank placed its line under the guarantee program, and required that Mayon course its export business through the bank.

Although the credit seems risky, the Quesada family - mother Adelaida, who is production manager and designer, and the four sons who manage printing, purchasing, accounting and warehousing respectively - will probably remain under the influence of Narciso, whose file at the bank contains a 1967 letter from the Vice President of the Hartford National Bank and Trust Company in Connecticut thanking him for the early payment of the time payment loan he had received while a student and offering him future credit if he needed it.

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: WAFA BANK, 940-0002.34
PURPOSE: Provide hard currency letters of credit to small and medium scale moroccan enterprises, $2.5 Million, 314 loans

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	US $ LOAN SIZE (000)	USE	JOBS/ FEMALE	+ % SALES	EXPORTS	OTHER/ IMPORT
Equipment Industrial	Industrial Manufacture			D	215					
Cableries du Maroc	Electric Cable Manufacturer	E	M	D	1,446	I				Import Substitution
CIMAGEC	Wholesale Implements	E		E	1,173					Import Substitution
CETEX	Cloth Manufacturer	N	M	D	70	E	4/0	37	—	Import Substitution
Conquete Rabat	Wholesale Plumbing Supplies	E	M	D	384	I				
Cooperative Marocaine	Fish Canning			D/E	2,918				M	
Ets. Adrouach	Wholesale Construction Material			D	173					
COPAFIC*	Rope Manufacturer	E	M	D	337	I		20%	—	
Comarbois	Wholesale Building Material	E	M	D	630	I				
BDF	Soap/Cosmetics Manufacturer			D/E	216					
Tolbois	Wholesale Building			D	1,391					
Machine Business*	Wholesale Office Equipment	E	M	D	1,215	I	0	0		
SOFATISSE	Cloth Manufacture			D	95					
Bombino Comfort	Foam Rubber Manufacture			D	147					
SINFA*	Auto Filter Manufacture	E	M	D/E	706	I	50/15	20	M	Import Raw Materials from U.S.
Moroccan Sewing*	Wholesale/Retail Sewing Equip.	E	M	D/E	621	I			H	Imports from U.S.
Union Plastique	Plastic Pipe Manufacture			D	398					
Standard Chemical	Synthetic Textiles Wholesalers				260					

* Site visit report attached

As of December 1990

INSTITUTIONAL IMPACT

1. Market—Continued interest by WAFA Bank and additional interest by other banks in extending the programs.
2. Central Bank—Now allowing exporters to retain their foreign exchange earnings for import purchases.
3. Net availability of foreign exchange increased, resulting in steady supply of inputs, positive import on subborrower sales and employment.

KEY

C	= Construction	H	= High
WC	= Working Capital	M	= Medium
E	= Equipment	L	= Low
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X	= Expansion		

1547-005/07

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: WAFA BANK, 940-0002.34
PURPOSE: Provide hard currency letters of credit to small and medium scale moroccan enterprises, $2.5 Million, 314 loans

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	US $ LOAN SIZE (000)	USE	JOBS/ FEMALE	+ % SALES	EXPORTS	OTHER/ IMPORT
Enterprise Hichan	Construction Company			D	80					
Filor	Cloth Manufacture	E	M	D	198	I				import substitution
Cuisinor	Wholesale Appliances			D	168					X
Precison du Maroc	Household Goods Mnfcturer			D	290					X
SOMAGAZ	Oven/Heater Manufacture			D	281					
Atlas Pieces Auto	Wholesale Auto Parts			D	542					
Maclisa	Heater/Air Conditoning Mnfctr.	N		D	195		15/1	Startup		Import Substitution
Matel	Retail Tele. Computer Equipment	E	M	D	172	I		100	—	Import from U.S.
SOMALAR	Hair Products Manufacturer			D	83					
COGEDIR	Photo Equipment Wholesaler			D	279					X
Chemique du Nord	Fertilizer/Chem. Mnfctr.			D	105					
SITEL*	Eng. Trng. Equipment	E	M	D	607	I	6		—	Tech. Transfer Import form U.S.
ICA Data	Office Equipment Wholesaler			D	108.5					X
Caisserie Commerciale	Packaging Crate Manufacturer	E	M	D	243	I			—	New Technology
EMIE	Electronic Equipment Installation			D	207					
ECOGEMA	Chair/Table Mnfctr.				425					
SIMACOTEX	Sheets/Blue Jeans Manufacturer				105.8					
Entrepots Frior	Food Processing			D	276					

As of December 1990

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1547-005/02

* Site visit report attached

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: WAFA BANK, 940-0002.34
PURPOSE: Provide hard currency letters of credit to small and medium scale moroccan enterprises, $2.5 Million, 314 loans

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	US $ LOAN SIZE (000)	USE	JOBS/ FEMALE	+ % SALES	EXPORTS	OTHER/ IMPORT
GALAPLAST	Pckng. Material Manufacturer			D	127					
Technical Equipment	Irrigation Equipment Wholesaler			D	226					
Confection Generale*	Clothing Manufacturer	E	M	E	195	I			H	
Oubaha & Fils	Cooking Gel Manufacturer				906					
Collingam*	Deep Sea Fishing	N	M	D/E	66.8	E	5/0	startup	M	New technology
Ets. Bourchanin	Wine/Syrups Wholesaler			D	61					
SADAUTO	Auto Parts Wholesaler			D	170	I				
Cafe Sahara	Coffee Wholesaler				46.6					
Afrique Electronique	Appliances Wholesaler			D	22.2					
TELECMA	Medical Equipment Wholesaler			D	31.4					
Afrique Roulement	Machine Parts Wholesaler			D	9.6					
Agro Maroc	Fertilizer Manufacturer			D	88					
Ameublement Lombardo	Wood Furniture Manufacturer			D	176.9					
Marrakech Tapis	Rug Manufacturer			D	26	I				
M.C.M.	Clothing Manufacturer			E	68	E			H	
DEGOR's	Clothing Manufacture			D	22	I				
Jaoui Soid	Clothing Manufacturer				114	I				Import from U.S.
Ets. Moumille	Building Materials Wholesaler	E	M	D	527	I			—	

As of December 1990

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1547-005/D2

* Site visit report attached

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: WAFA BANK, 940-0002.34
PURPOSE: Provide hard currency letters of credit to small and medium scale moroccan enterprises, $2.5 Million, 314 loans

As of December 1990

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT				INSTITUTIONAL IMPACT
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	US $ LOAN SIZE (000)	USE	JOBS/ FEMALE	+ % SALES	EXPORTS	OTHER/ IMPORT	
CICAD	Tannery				154	I					
Delta Serres	Fencing Manufacturer				66	I					
Dnterprise Soufiani					86						
Ets Tanvil					40						
Finappro					152						
Minhol	Equipment Sales Science				10	I					
Olivetti	Office Equipment Sales				167	I					
Peche et Froid Souss	Seafood Processing				103	E					
Plastigran	Manufacturer Plastic Goods				131	I					
Rif Carpet	Manufacturer Wool Carpet			E	50	I					
Sacontex	Clothing Manufacturer				59	I					
S.C.I.E.	Electrical Contracting				1,701	I					
S.G.E.E.	Electrical Contracting				50	I					
SICOB					116						
SICOTEL	Sales Telecommunication Equip.				38	I				Import from U.S.	
SOFAMEC					94						
SORETEX					200						
Ste. Nord Plastique	Manufacturer Plastic Goods				24	I					

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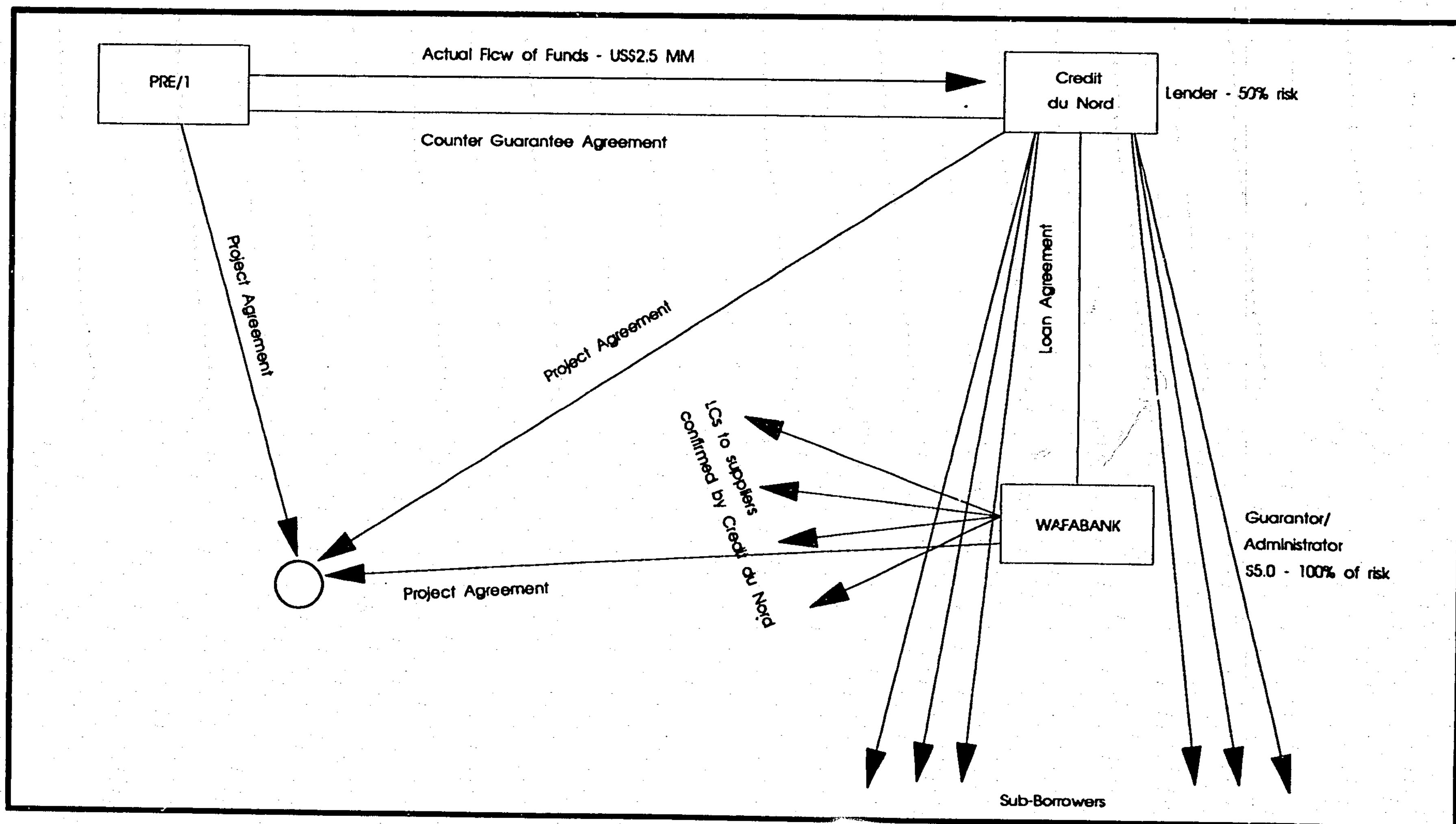
M = Medium
L = Low

• Site visit report attached

WAFABANK

FY84

CATEGORY: Guarantee/Collateral Account



1547-004/D1
(2/91)

COPAFIC

Loan Amount: 3 loans totaling $167,600

Purpose: Import sisal

Mr. Mohamed Abkary greeted us warmly on an otherwise cold morning in Casablanca. A pot of Moroccan mint tea helped get our conversation going. He was very happy to meet a representative from USAID, so that he could thank them for the program that has allowed him to import over $165,000 worth of raw sisal from his supplier in Brazil.

Mr. Abkary has been in the rope business since 1942, first as an "artisan" who wove it by hand, and, since 1967, as an owner of mechanized rope factory. The rope is spun in several dimensions, from 1 cm. (used as twine for agricultural baling) to as large as 30 cm. (for construction). Since his principle raw material is imported - there is too little rain to grow the necessary quantity and quality sisal in Morocco -- he is very dependent on maintaining good relations with his suppliers. "Before the PRE/WAFABANK program, my suppliers waited several weeks for payment. Now they are paid on time, a fact which has improved my standing in their eyes", he says. He also has benefitted from the longer terms provided to him by the WAFABANK loan, six months versus two-three months. He feels the cost of the line of credit differs very little from other lines available locally, but adds, "WAFABANK is a complete bank; they make suggestions as to how I may be able to streamline my costs and improve my management".

All of COPAFIC's output is destined for the local market. In addition to gross sales made directly from his factory, he also has 2 retail outlets. Since he first used the line of credit from USAID, his sales have increased 20 percent to 6 million dhs. ($700,000) per year. COPAFIC is the second largest producer of rope products, with 30 percent of the market share. Last year it produced over 900,000 metric tons of rope products from an automated factory containing 10 spinning machines. Mr. Abkary has 60 employees working full-time at the plant.

"My only concern", he adds "is that the bank says they have lent out all of USAID's credit line. If we go back to the old system, I'm worried that my relationship with my supplier will suffer".

CETEX

Loan Amount: One loan totaling $28,300

Purpose: Purchase state of the art textile milling machine.

CETEX is located in an industrial zone in Eastern Casablanca. They are one of over 100 small textile mills located in Morocco. The manager, Mr. Berrada, has been director of the limited partnership for 5 years. The company makes both cotton and polyester cloth for the local Moroccan market. At present they produce over 400 kg. per day, using 10 machines.

The PRE/WAFABANK loan was used as a bridge so that CETEX would be able to import a machine from Germany. Without the access to ready foreign currency, they would have been unable to make the order. Once the machine was imported, Mr. Berrada lined up a medium term loan to pay off the letter of credit and stretch out his repayments. "Despite my previous experience in banking, it was WAFABANK who conceived of the bridging arrangement", he concedes.

The new textile mill has increased production from 83 to 114 metric tons per year, which represents an additional 1,690,000 dhs. per year ($200,000). They have also been able to add four employees to their staff, which now numbers 17. They would like to enter the export market, but their production isn't great enough to meet local demand. Mr. Berrada would like to buy one more machine, which would give them the capacity to do so. "Since all our inputs are locally produced, this would really help us earn our own foreign currency to expand even further", he explains. Although vague about export markets, he's optimistic, given WAFABANK's export promotion program, that he'll receive the help he needs.

CONFECTION GENERALE

Loan Amount: 1 loan totaling $45,900

Purpose: Import blue jean material from France.

Twenty-three year old Mr. Soufien had a large problem. The French Government had just ruled that his supplier in France, Jergen Jeans, could no longer furnish his company with jeans cloth without payment. This arrangement had worked very well for Confection General during the 2 years it had been making jeans and jackets for the French market. Fortunately, Mr. Soufien's banker, Mohamed Biessar, had a letter of credit facility available through the PRE/WAFABANK program. "I required immediate access to hard currency credits or I would have had to close my doors", explains Soufien.

Mr. Soufien, whose father and grandfather had been in the clothing manufacture business for as long as he could remember, was the first in the family to realize the profits to be made in the export market. In two years, the business has grown from 50 employees producing 15-20,000 pieces per month to over 100 producing 30,000 pieces. The demand from Jergen is high enough that in two months he plans to level off his output at 50,000 pieces/month, which will require him to employ 50 more workers. His employees, who earn from $150-$200, per month, are skilled and reliable. His sales total approximately $250,000/month, of which 10 percent is profit. "My profit margin is low, actually. Clothing is a competitive business, and although we offer a reasonably priced product due to the recent devaluations of the dirham, you still must cut your prices to gain a market share", he says. As for materials, he could never use the jean cloth supplied by the local market, since the quality is not anywhere near what is demanded in Europe.

His business is about 1/2 as large as his major competitors. But his product quality is high since it is all destined for the export market. He is currently trying to develop relationships with several German distributors. He has gotten a lot of help from WAFABANK in arranging financing and developing business in this new market. "They are experts in what they do, which leaves me the time to worry about what we do. I couldn't be more pleased with our relationship". says the young entrepreneur.

SITEL

Loan Amount: 8 Loans totaling $337,092

Purpose: Import parts to build electronic, refrigeration, and hydraulic equipment.

Mr. Idrissi is a 35 year old entrepreneur with a masters degree in electrical engineering. He is currently behind a desk, explaining why Sitel's activities are an essential element for modernizing Moroccan industry. Sitel furnishes the Government of Morocco and several large industries equipment that is essential for training mid-level technicians needed for operating refining, power generation, food processing, and other industrial systems which are being installed in Morocco today. "We have highly trained engineers, we have unskilled workers, but we have no one in between who can run the machines of our industrial revolution", explains Mr. Idrissi. The World Bank, EEC, as well as the Government of Morocco has targeted technical training as a priority and have emphasized the establishment of technical training institutes throughout Morocco to develop its cadre of electricians, computer programmers, hydraulic & mechanical engineers, etc. Sitel builds simulators which are designed to be used in these schools.

Although competing with French and Italian firms, Sitel holds a 60 percent market share, attaining 40,000,000 dhs. ($4.7 million) in sales in 1986. Three quarters of their business is in furnishing state schools, the rest going to private industry. They also offer service contracts for their products, with a full supply of parts, as well as training programs for new users. They feel that the service element, as well as their lower price, gives them a competitive edge.

Their own work force is expanding, increasing by 6 during the past year to total 35. They usually train new employees, since they suffer from the same shortage of experienced workers that is the reason for their success. Although not active at the moment, they plan to enter the export market soon, with the help of the services offered through WAFABANK. "We, and to a greater degree our suppliers of electrical and hydraulic equipment, are grateful for the USAID program. Its given us the opportunity to really build up our business". adds Idrissi.

MOROCCAN SEWING MACHINE INDUSTRY, S.A. (Singer)

Loan Amount: 22 loans totaling $442,000

Purpose: Import sewing and knitting machines for household and industry use.

Singer has been a presence in Morocco since 1925. In 1974, after the Moroccanization of foreign held businesses, the Company's name was changed, but its purpose remained the same. In addition to importing Singer sewing machines with the help of the PRE/WAFABANK program, MSMI builds wooden cabinets for sewing machines and televisions, and markets locally assembled Radiola (Phillips) televisions, refrigerators, and ovens. These items are marketed in 9 stores and through 500 dealers throughout Morocco.

Mr. Belguendouz, who has worked for the enterprise over 30 years, is currently their financial manager. "Approximately 25 percent of our projected 102 million dhs. sales for 1986 is from our sewing machine line", he explained. "Our sales have been steadily increasing from 72.2 million in 1983; I could attribute some of this to the USAID program, but that would be presumptuous". He readily acknowledges that the program has reduced the costs of their imports, and improved their standing with their suppliers. "I'm not as concerned with the price of imports as I am with our supplier relations" he assured me. Most of their suppliers are in the U.S., Japan, and Taiwan, and they are not particularly interested in local foreign currency problems and delays. The WAFABANK credit guarantee eliminates any delay in payment. Explains Mr. Belguendouze, "This represents a quarter of our business, and is why the company was started so many years ago. It's very important that we have ready access to our supplies". As for their competition, there are several Asian sewing machine brands that are cheaper, but a competent service staff and a higher quality product assures MSMI a firm foothold in the domestic market.

MACHINE BUSINESS SERVICES

Loan Amount: 7 loans totaling $375,200

Purpose: Import office equipment

"There is only one reason why this program is so helpful, and that is price", asserts Rachid Bencherki, the young owner of M.B.S. Morocco. "Before the PRE/WAFABANK credit line, I would have to pay interest to my suppliers from the moment my order left their factory. It was sometimes 90 days before my product cleared customs here in Casablanca, for an order totaling a half million dirhams ($50,000) at 15 percent, you can see my concern", he explains. "Now I have 90 days credit with them, and they are paid on time. Since my business is 100 percent import dependent, you can see how important that is", continues Mr. Bencherki.

Of MBS's 15,000,000 dhs. ($1.8 million) annual sales, 60 percent is to the Government of Morocco. They specialize in Triumph Adler typewriters, as well as adding machines and photocopiers. They also offer service contracts on all of their product line. Their sales and workforce have remained relatively stable over the period of time that they have participated in the program.

He feels very fortunate to have survived the period 1983-1984, when the government was forced to stop all imports. "It was a difficult period for us all, but also a very good one. It taught Moroccan businessmen that their management was as important to their success as are all other aspects of the business. Before that period, it was too easy", he reflects.

SINFA

Loan Amount: 9 loans totaling $193,000

Purpose: Import tin & paper for automobile filters.

Societe Industrielle de Fournitures Automobiles (SINFA) is the end result of an idea and an opportunity. The idea of Moamah Ali was to do something more than simply import and sell auto parts. The opportunity, in 1980, was a new Moroccan law which offered credits and incentive to auto assemblers in Morocco (at the time consisting of Fiat, Peugeot, and Renault) to buy their parts locally. With their idea and Fiat's assistance, they were able to begin production of oil, air, and fuel filters for automobiles.

In 1986 total sales have increased 20 percent to 26,000,000 dhs. ($3,095,000), with approximately 30 percent of their output destined for export to Europe. Demand has required that they add a second shift, increasing employment by 50 people to 160 over 1985 employment figures (30 percent are women). Eighty percent of the raw materials used by SINFA are imported, mainly in the form of tin for filter casings and paper for filter material. Since June 1985, SINFA has used the PRE/WAFABANK credit facility to pay for their imports. Mr. Ali, Director General of the family-run organization, complains that he now has to watch the foreign currency markets as closely as his assembly line. "With the current devaluation of the dirham against most major currencies, I can really lose my shirt", he explains, adding", I think I'll concentrate on more American suppliers, given the current drop in the dollar". Indeed the dollar had fallen against the dirham just the day before. He is happy with the relationship and advice given to him by WAFABANK, who keep him up to date on currency forecasts. With 2 representatives scouring European and North African markets, SINFA, in 6 short years, is turning into a company with truly international aspirations.

CAISSERIE COMMERCIALE

Loan Amount: 3 loans totaling $89,000

Purpose: Import wood for packing cartons

Two points shared with me by Mr. Bellali Ahmed, President of Caisserie Commerciale:

"To export fruits, which represented the third largest export commodity for Morocco in 1986, you must have cartons. Since we have very little wood, and what we do have is closely guarded to stop the encroachment of deserts in Morocco, all the wood and paper must be imported, only to be exported, costing valuable foreign exchange. "I have developed the first shipping crate in Morocco made partly with wood, partly with a cardboard-like fiber produced locally out of palm trees, hence saving enormously on the necessity for importing wood".

"When I get a call from a wood supplier, he frequently has a boat and an order of wood ready to go, and he's willing to negotiate a very good price if I can arrange immediate payment. With the PRE/WAFABANK trade credit, I just call Mr. Mesfioui at the bank and its arranged. With this facility I'm saving 5-10 percent on my orders, which is a savings on Morocco's foreign trade deficit and a savings to my customers. This program is invaluable, in my eyes".

One point demonstrates the entrepreneurial resourcefulness of a Moroccan businessman, the other, the necessity for a reliable line of foreign exchange.

COLLINGAM

Loan Amount: 1 loan totaling $66,800

Purpose: Import new-design commercial fishing boat

Collingam, and its 50 percent Canadian partner Roseborough Boats Limited, have invested in a modern, lightweight commercial fishing boat to capture high quality white fish for the domestic and export markets. WAFABANK financing, although short-term in nature, allowed Collingam to import and test this new boat in the waters off of Morocco. If all goes as planned, Collingam will import another 19 boats, and by the end of 1987 will have attained 34,000,000 dhs. in sales ($4,000,000). Sales, half of which will be exported to Europe, will level off at 45,000,000 dhs. in two years, if their forecasts hold true. Cash flows will enable the company to pay off their Canadian partners 50 percent stake in two years.

Although still searching for other willing investors to help finance their fleet, they are grateful for the WAFABANK/USAID letter of credit, which allowed them the means to import the lightweight, mechanized boat, which uses sonar and hooks to find and catch high quality fish. Their forecast, as well as 4 months of actual experience with the first boat, may turn out to be conservative. Mr. Zerouali, President of Conquete's holding company, feels that this success will facilitate their search for an international investor.

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: BANCO DE DESARROLLO-FINADE, 940-0002.25
PURPOSE: To provide short-term credit to small and medium scale businesses involved in non-traditional exporting
$2.0 Million, LGP

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE (000)	USE	JOBS/ FEMALE	+ % SALES	EXPORTS	OTHER/ IMPORT
Muebles Tropicales*	Rattan Furniture Mnfctr.	E	M	D/E	$32	WC	30	+75%	H	
COMEDOM*	Export Trading Consortium	E	M	E	$200	WC	3	2%	H	
Muebles Nacionales*	Furniture Mnfctr.	E	M	D/E	$132	WC	68		H	
Rattan Dommicano*	Rattan Furniture Mnfctr.	E	M	D/E	$36	X	12	+40%	H	
ADDEX*	Fruit & Vegetable Farming	N	M	D/E	$200	WC	140		H	
Rafael Espaillat*	Fruit & Vegetable Farming	E	F	E	$40	WC	10	+20%	H	Attended USG Export Seminar
Pro-Caribbean		E		E	$120	WC	—			
Michal A. Baik*	Vanilla Extract Production	E	M	D	$11.2	WC	2			
Dominicana de Camarones*	Shrimp Farming	E	M	E	$200	WC	15	+15%	H[1]	New Technology
Dominicana de Camarones*	Shrimp Farming	E	M	E	$400	WC	—	+15%	H[1]	New Technology

As of December 1987

INSTITUTIONAL IMPACT

1. FINADE Collateral requirement is 125%.
2. Employment - increased by 250 jobs.
3. Increased working capital loans available to small businesses in very tight credit market.

KEY

C = Construction		H = High	
WC = Working Capital		M = Medium	
E = Equipment		L = Low	
I = Inputs			
X = Expansion			

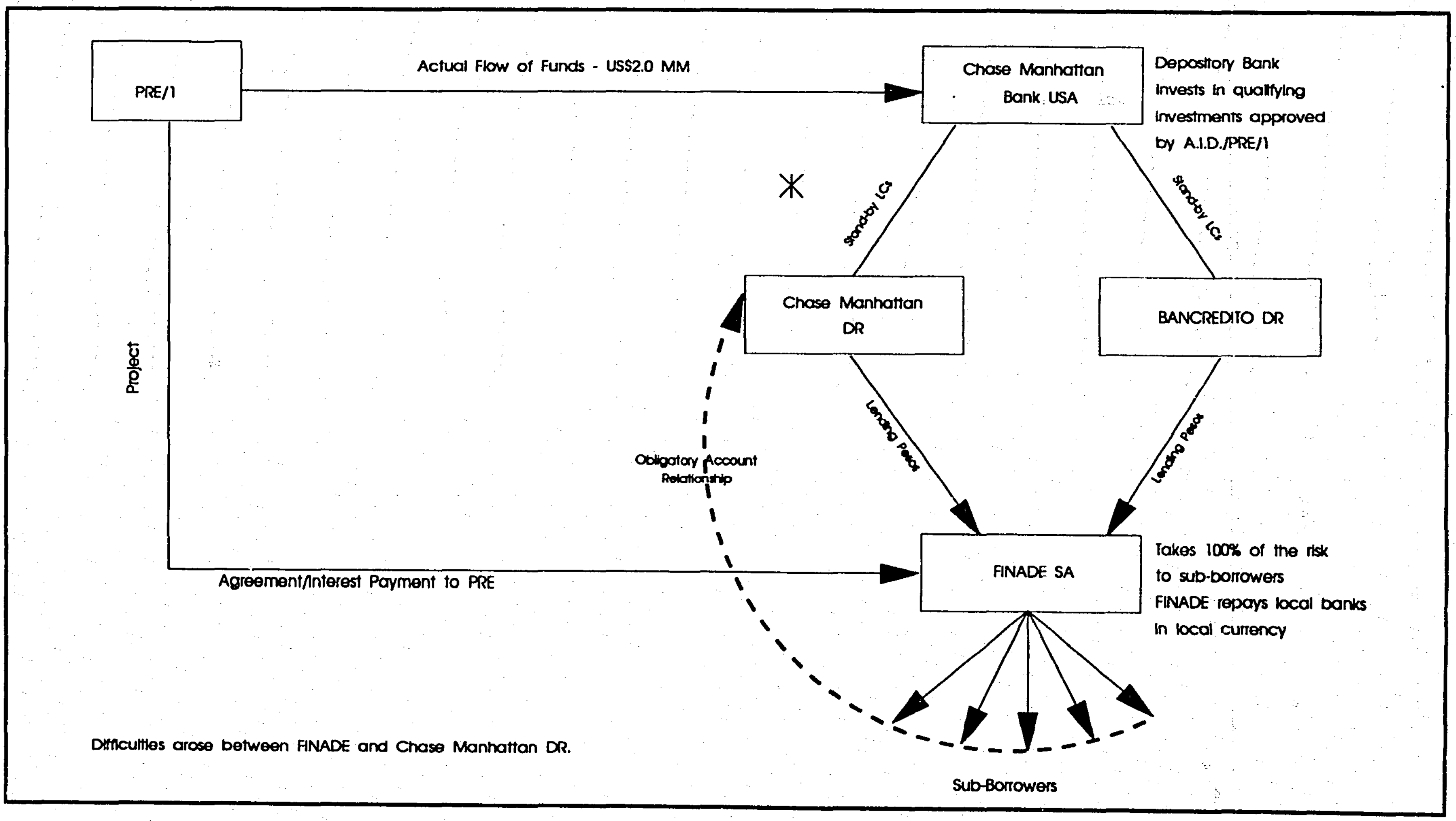
* Site visit report attached
1 Projected

1547-021/01
(2/81)

BANCO de DESARROLLO FINADE 'SA

FY'84

CATEGORY: Guarantee/Collateral Account



1547-005/D1
(2/91)

MUEBLES TROPICALES

Loan Amount: $32,000

Purpose: Working capital to finance product inputs

Located in a remote, lushly green corner of Santo Domingo is the factory of Muebles Tropicales which, on the day of our visit, was buzzing with young workers busily building rattan furniture. In 1978, Juan Martinez was so impressed with the artisanry and low overhead involved in rattan furniture production that he decided to leave his food distributorship business. At that time, he had ordered custom-made rattan furniture for his home, and the artisans had temporarily set up shop in his garage. After observing them for a week, Martinez offered his garage as a permanent work site, and invested $3,000 in materials. After a year's time and numerous orders for custom work, the number of employees had grown to seven. The need to relocate became imperative, so the operation was moved to a small house. Sales continued to grow through business contacts and friends, and after the second year, employees numbered 20. Continued growth required Martinez to lease the house next door and nearly double his workforce. The operation relocated to its first real factory site, and soon there were over 85 employees. In February of 1987, this factory was almost completely destroyed by fire. All warehoused furniture perished, along with raw materials which Martinez had been stockpiling for months in anticipation of a major price increase by his Asian suppliers. Thanks to the immediate and generous support of competitors who lent him materials, Martinez was back in production only five days following the blaze, and was exporting within 25 days. This gesture on the part of his competitors is even more significant considering the four month lag time between ordering materials from Indonesia and Hong Kong, and receiving them in the Dominican Republic. Since July, 130 employees have been working at the factory's new location.

Muebles Tropicales' competitors helped the business in another significant way by directing Miami rattan distributors to him when they were too overextended to fill a flood of orders. The first export shipment by Muebles Tropicales to Miami was in 1984. Since that time, Martinez has done his marketing "homework" by attending trade fairs in Miami, North Carolina, Panama, and Puerto Rico. Currently, about 65% of the merchandise is exported and 35% sold locally. Sales figures from the past few years reflect solid growth: 1984 - $285,000, 1985 - $430,000, 1986 - $857,000. Understandably, production was affected by the fire, so Martinez estimates that 1987 sales levels will be straight-lined from last year.

Martinez is proud of the fact that a great deal of personal investment has gone into his business, and views himself as being very ethical concerning the financial management of the company. "Throughout the years that I have struggled to build my business, I have never put even ten pesos of gas in my car from the company's money," he comments. From 1979 to 1983, Muebles Tropicales received financing from another financiera, Defiza, and developed a relationship with FINADE starting in 1986. Martinez considers the lack of available loans for working capital the biggest impediment to the company's growth. Rattan manufacturers must pay 100% up front to open letters of credit for raw materials from Indonesia and Hong Kong. Martinez reports that his furniture is in such demand that he could easily increase sales by 40 to 50% if he could locate financing for the raw materials. Business is constantly limited by efforts to strike a balance between loans, raw materials, and trained labor. Martinez' positive nature and determination will help him to resolve this, and any other impediments.

COMEDOM

Loan Amount: $200,000

Purpose: Working capital to market goods overseas

Comercializadora Dominicana S.A. (COMEDOM) is an export trading consortium, formed in 1983 by the FINADE Board of Directors, which also holds 35% of its stock. The consortium was established in response to Law 69, which promotes the development of the non-traditional export sector and provides for the issuance of tax certificates to export trade consortia. At present, there are ten non-traditional export associations of a similar nature. Dominican law states that 65% of these consortia must be comprised of non-traditional export producers. Bernardo Pichardo, President of COMEDOM, maintains that only four consortia comply with this requirement. He ranked COMEDOM among the top three, based on its total sales volume of an estimated $2 million in 1986, and $1.18 million from January through July 1987. COMEDOM serves a marketing function for Dominican producers, matching producers with distributors.

The role played by COMEDOM in relation to the guarantee facility sub-borrowers has changed since the signing of the loan agreement. The original Revolving Fund loan agreement between PRE and FINADE required all sub-borrowers to purchase 25% of the total subloan amount in shares of COMEDOM stock, in exchange for which they would receive export placement services. The purpose of this arrangement was both to create a captive clientele and generate working capital for the trading company. In March 1986, FINADE requested and received from the USAID Mission Director, Hank Bassford, a waiver of the stock purchase with COMEDOM because of difficulties in implementing that aspect of the agreement. Both FINADE Vice President Fernando Cobo and Pichardo commented that the cost of the money under the guarantee facility was too high to make such a requirement of clients who clearly needed the working capital for their businesses. For this reason the idea never gained acceptance. COMEDOM likewise requested and received a $200,000 working capital loan under the Revolving Fund, in addition to a $50,000 grant for market research. The grant portion of the funds was never utilized because COMEDOM felt that the New Orleans-based market research firm with whom they had contracted had designed an adequate marketing scheme, but was charging excessively high prices. COMEDOM presently represents seven Dominican exporting companies, including the melon producers ADDEX and DOMEX, Rattan Dominicano, and Dominicana de Camarones, which are guarantee facility sub-borrowers. "Net export creation has been fantastic -- the A.I.D. loan program is functioning as intended," Pichardo reported. "Without A.I.D. funding, we never could have done a thing."

MUEBLES NACIONALES DIVERSOS

Loan Amount: $132,000

Purpose: Working capital for product inputs

Against the backdrop of contemporary and tropical Santo Domingo, it is somewhat of a surprise to see ornate Victorian furnishings attractively displayed at Lily Muebles. This is the showroom of Muebles Nacionales Diversos, which manufactures solid wood furnishings of pine and mahogany, as well as rattan. As is the case with the other furniture manufacturers, all materials are imported, with 90% of the hardwoods coming from the U.S. and 10% from Chile, and all rattan coming from Indonesia and Hong Kong. Luis Reyes started Lily Muebles eight years ago with $5,000 of his own money. At that time, he sold other manufacturers' products. His first innovation was to change the way in which furniture was usually sold in the Dominican Republic.Financing was customarily offered over 36 months which, in 1979, meant that the customer eventually paid 400 pesos for a 100 peso item after interest was extended over the repayment period. Reyes began selling the same 100 peso item at 170 by offering only six month financing.This arrangement not only satisfied customers, but also rotated merchandise much faster. Since then, this has become common practice among furniture vendors.

Reyes took his first step toward manufacturing when he began to accept orders for custom furniture. Requests initially came in the form of drawings and photos which were farmed out to other manufacturers. Inevitably, Reyes was dissatisfied with the quality of the furniture and the manufacturers' attention to detail. Finally he decided to hire a few carpenters and try manufacturing on a small scale. In 1984, Reyes invested all of his own money, opened a small shop, and employed 28 workers. The business started out making furniture with formica and particle board, but stayed in this phase a very short time, since Reyes' ultimate objective was to produce distinctive, high-quality items. Simultaneously, he contracted a group of workers who had learned to work with rattan in a factory owned by Chinese in Santiago. His research into the local market had shown that there was a need for rattan because domestic producers sold everything outside the country. "I got frustrated because each time I would order 100 rattan pieces, the manufacturers would only give me ten," explained Reyes. His entrepreneurial spirit turned this problem into a business opportunity. As soon as lacquered furniture became popular, he seized the opportunity to become the first manufacturer in the country. By 1985, business had grown to such an extent that it became necessary to move to a new factory, which was financed by Corporacion Nacional de Fomento and Banco Popular.

Reyes began to consider exporting when he realized that the production capacity of his business was far greater than that required for the local market. At the same time, he had heard about the export incentives put into place by the U.S. with the Caribbean Basin Initiative. In November 1984, Reyes attempted to exhibit at a

Panamanian trade fair, but the furniture he had shipped arrived badly damaged. This precipitated some redesigning of the products to enhance their durability. Toward the end of 1985, Muebles Nacionales was approached by a Puerto Rican distributor who had a chain of eight stores in Puerto Rico, producing $20 million in sales annually. Muebles Nacionales now provides about 15% of the chain's total merchandise, which has greatly facilitated export objectives. Shortly thereafter, a friend in Miami made some connections on Reyes' behalf, and orchestrated his entry into the Miami market. Today, Muebles Nacionales exports 70% of its production to Puerto Rico, Miami, and the Virgin Islands. Employment has reached an all-time high with 189 employees.

Reyes identified financing as the biggest problem faced by any businessman in the Dominican Republic. "There is no soft financing available. What there is out there is extremely costly and hard to obtain. To go into business these days, you have to either be half crazy or the type of person who enjoys things that are totally difficult," he explained. "In five years I could be a tremendous producer. I'm constantly rejecting requests. The lack of available financing is what holds us back." All of the furniture manufacturers interviewed concurred that demand for their products is strong. Reyes speculates that the market could bear another fifty producers just like them. "What we need are more credit programs like the Revolving Fund to get the working capital we need. But couldn't you tell them to cut out the intermediaries to make the money yield more?"

RATTAN DOMINICANO

Loan Amount: $36,000

Purpose: Working capital to import raw materials

A casual observer would find it difficult to imagine Porfirio Peralta as a highly motivated "ideas man" who almost singlehandedly manages a growing, successful furniture business. Beneath the surface of this slight, shy individual is a determined visionary. As an adolescent, Peralta began working for a Chinese family who had moved to Santiago to open a rattan furniture factory. After working there a few years and learning the technique, he and his brother decided to start their own business in 1979. Using the patio of their house as a shop, they employed two laborers and utilized local bamboo to produce furniture that was stylistically cruder than that manufactured by their Chinese competitors. Initially, the furniture was custom-made to meet customers' specifications. The business grew by word of mouth, as did its reputation for producing quality merchandise.

A Puerto Rican supplier of Indonesian rattan heard of Peralta's business, and offered to supply the raw materials to him. In retrospect, this was a fortuitous moment for the business. Production had grown to a point where local material supply was no longer sufficient and, in Peralta's words, "wasn't really industrial quality." In 1984, cashflow problems put Peralta in the export business. Lacking the cash to pay for a rattan shipment, he sent some finished goods to his Puerto Rican supplier instead. The supplier was so impressed with the quality and beauty of the furnishings that he immediately located a distributor. When Peralta saw how well his merchandise was received in Puerto Rico, he ventured into the Miami market, and eventually to New York.

Peralta and his brother had financed the business entirely from their savings up until 1984. With the prospect of expanding into export, they needed additional working capital to make large material orders from Indonesia and Hong Kong, which require four months' lead time. In 1984, they got their first working capital loan from FINADE, and continue to deal exclusively with the financiera.

Approximately 80% of Rattan Dominicano's products are exported to New York, Miami and Puerto Rico. The remainder are sold locally. Sales have grown steadily and are expected to reach US$ 1.4 million this year, up from US$ one million in 1986. What was once a two-worker operation has grown to 130. According to Peralta, they never would have been able to increase sales without the Revolving Fund loan. "I knew of no other program of this kind. Businessmen are left with precious few options for borrowing working capital," he explained. He reports that 12 new positions were created as a direct result of the AID loan, and another 30 workers were able to remain in their jobs.

Due to increased sales from exports and continued strong demand for these well designed and sturdy furnishings, Rattan Dominicano was required to move to a larger factory. The business moved from its original location on the family patio to a small shop on the eastern outskirts of Santo Domingo. It continued to expand slowly, first occupying some adjacent shop space. Finally a move to a larger factory became inevitable. This has caused a cash flow problem, since constructing the new locale has cost a considerable amount of money, leaving little cash for materials. In Peralta's words, "this is why the value of loan programs like this cannot be underestimated. Without the AID loan, my business would have become completely stagnated."

ADDEX

Loan Amount: $200,000

Purpose: Working capital

It is incredible to imagine that land as dry, remote, and inhospitable as Angostura could yield anything, much less huge melons and tomatoes. This becomes believable after speaking with one of the project organizers, a group of Israeli agriculturalists with extensive experience in cultivating arid terrains in the Sinai and south of the Dead Sea. In the words of Fernando Cobo, Vice President of FINIBER, "Absolutely nobody could make anything grow in that part of the country except the guys from ADDEX and DOMEX." DOMEX, which is the mother company of ADDEX, was started in 1981 by Ofer Rozenfeld and three partners. A number of factors, such as Spain moving in on Israel's European produce market, had increased competition and made the agricultural situation more difficult within Israel. Like other Israeli agricultural producers, he opted to seek business opportunities outside the country. Rozenfeld and his partners did a feasibility study to identify countries where they might move their operation, and chose the Dominican Republic for a variety of reasons. Of paramount importance was the country's proximity to a market the size of the United States. Climatic conditions were ideal for getting produce to arrive January through April. Water supplies were acceptable, as were transportation networks. The partners also sensed in the Dominican Republic an interest and openness toward development. By late 1981, Rozenfeld and his partners started their pilot project, which has grown steadily each year to current export levels of close to one million crates of fruits and vegetables annually. This represents approximately 20% of the Miami and New York markets from January through April.

The partners of ADDEX, another group of Israeli agriculturalists, had heard of the successes of their countrymen in Dominican Republic, visited the DOMEX facility, and established a business relationship early in 1986. DOMEX generously shared its experience and market research with ADDEX. When asked why they had done so, Rozenfeld explained that there was no reason to fear ADDEX's competition because market research had shown that the U.S. market could sustain a number of other producers. DOMEX now holds 35% of ADDEX stock, and provides the company with technical assistance and packing.

ADDEX was founded in July 1986. The first stage of planting was only partial because irrigation was still being laid. This year, ADDEX had moved into full production. There are two harvests per year, one in November/December, and one in March/April. During these periods, melons are harvested two to three times. The late 1986 and early 1987 crops totalled 60,000 crates of melons and 30,000 of tomatoes, and represented approximately $350,000 in sales. All export sales are done in Miami and New York, with only 10 to 20% of production sold domestically. Barely one-third of the land (63 hectares) purchased by ADDEX is currently under development, and the lack of working capital has been its only impediment to expansion. "The biggest problem we face is inaccessibility to credit," Rozenfeld explained. "Even with excellent guarantees and a crystal credit record, money is extremely hard to find." Originally, ADDEX had requested a $430,000 working capital loan through the A.I.D. Non-Traditional Agricultural Export program. Over a year passed of repeated delays in getting the loan through the Central Bank. In lieu of waiting any longer, the ADDEX partners went to FINADE and applied for a loan under the guarantee facility.

Strengthening the development impact of this loan, Agronomist Felix Heredia has opted to use more labor intensive approaches to planting and harvesting. From a cost standpoint, machine and hand planting are about the same. Heredia judges that planting may be a bit more uniform when done by machine, but the seed loss is much greater. Likewise, all weeding is done by hand. There are approximately 110 full time employees, with employment doubling and tripling during harvest times. To see this harsh, remote area dotted with agricultural workers and intricately woven with irrigation is to witness the possibilities that can be created by coupling entrepreneurial spirit with financing opportunities.

RAFAEL ESPAILLAT, C. POR A.

Loan Amount: $40,000

Max Rodriguez, General Manager

After chatting only a few minutes with this distinguished gentleman, it is obvious that Max Rodriguez is immensely proud of the fact that he "comes from the land", and considers himself a true "campesino." Rodriguez grew up in a family of agricultural workers, took a four year hiatus to complete his university studies, yet always knew that he would make his livelihood from agriculture. Rafael Espaillat is a family business, started by Rodriguez' wife and eight relatives in 1973. Their initial cultivation was only 150 hectares of tobacco. Gradually they diversified into pineapples, then vegetables, hemp, and cattle. Presently, more than 500 hectares of land are under cultivation. Employment has grown from 15 to over 150 full time employees. During harvests, this number grows to 500. Over the past five years, the business has experienced excellent growth. To illustrate, Rodriguez reported that sales have grown from $115,000 in 1982 to $430,000 in 1986. In 1987 he is expecting a 20% increase over last year's figures.

In 1984, Rodriguez was selected by USAID/Dominican Republic to attend a seminar in New York for new exporters, which sparked the company's interest in expanding its market. Shortly thereafter, it began shipping yautia (a tropical tuber), yucca, and Chinese vegetables to the United States. Last year Espaillat diversified into pineapple production, and in June of this year exported its first crop to the United States. Pineapple cultivation is both a protracted and labor intensive procedure. One plant yields only one pineapple, and the length of time from planting to harvest is 20 months. In order to stagger harvest times, another 10 months must be factored in, which makes the endeavor 30 months from start to finish. Espaillat has had a three year credit relationship with FINADE and has a sterling credit record. In the words of the FINADE branch manager, "banks are running after them with credit offers." The company has a variety of different loans from FINADE, Banco de Desarrollo Comercial and Finagro. The loan under the guarantee facility represents only about 5% of its total working capital. Rodriguez remarked that the A.I.D. loan was extremely costly, and that it had been taken out because it was the only money available when Espaillat was expanding into export. The lack of appropriate technology to improve crop varieties is the greatest problem faced by Espaillat in its export endeavors. "Agricultural products must be of a very high quality to be able to penetrate the U.S. market. We have extremely fertile land in the Cibao (located in the center of the island), excellent climate, proximity to the Northern ports, and plenty of labor. Our biggest impediment is access to technology," Rodriguez explained. Greater access to information on changing consumer habits and familiarity with marketing and channels of distribution would also enhance Dominican producers' success in the U.S. Given the less than ideal circumstances under which entrepreneurs like Rodriguez work to improve their businesses, it is heartening to hear them proudly speak of their achievements and the potential of their province.

MICHEL A. BAIK, C. POR A.

Loan Amount: $11,200

Purpose: Working capital for production costs

Michel A. Baik C. por A. is a start-up company in vanilla extract production. Michel Baik, the proprietor, was already owner and operator of a chemical manufacturing business located in downtown Santo Domingo. Baik believes so strongly in his new, rapidly growing business that he used his home for collateral.

The vanilla extract business was formed in 1986. At that time, Michel owned an auto parts business. His wife's relatives had purchased the formula for vanilla extract in the 1930s, but ceased production in 1979. Michel became aware of the demand for this popular flavoring agent, and saw advantages in starting the business again. When Baik was contacted by two Puerto Rican businessmen who were looking for his in-laws, he decided to become actively involved.

Baik reports that his formula for white vanilla extract is unique and will be successful in the world market due to several factors:

(a) the product is chemically pure and passes FDA standards.
(b) his extract yield is cost effective.
(c) product contents remain stable over time.
(d) the product is easily accepted and demanded by the consumer.
(e) no alcohol or chemicals are used in its production.

The company owned by Baik's relatives had a monopoly on the Dominican market for many years. After that company closed in 1979, small scale operations captured the market. Ice cream and pastry producers are the largest sources of demand in the Dominican Republic.

Baik felt sure he could recapture the Dominican market and make a profit. His goal, however, is to enter the international market. Baik completed a series of market studies in preparation for the move, which indicates that there is a great deal of opportunity in this market. Samples are currently being shipped to Spain, although efforts will concentrate on the United States.

Current production is helping the company to recapture the Dominican market. Baik says he found this an easy task because his competitors sell an inferior and potentially carcinogenic product (use of the chemical, cumarin in vanilla extract production makes this determination).

Baik's main competitor currently ships 7-10 barrels per week to Puerto Rico. He hopes to attract competitors' business to his own company, and feels he will succeed because his product is superior in both quality and price. The next move will be to develop direct markets with Spain and the United States.

Baik went to FINADE because the company needed a quick loan to start up production. Although other financial institutions would approve loan applications, no pesos were available to fund loans, and there were long waiting lists for whatever pesos became available. He recently applied for a second loan under the guarantee facility for US$ 7,000, which has been approved, although there is no peso liquidity to fund this loan. FINADE was the only institution with funds available for a loan at the time the original loan was provided.

The vanilla business currently has three full-time employees. Although the company lacks working capital, a positive cash flow has been reported. Baik has never been late with a loan payment to FINADE, and has been thorough in his efforts to position the company for a move into export activities.

DOMINICANA DE CAMARONES Y PECES, INC.

Loan Amount: $200,000

Purpose: Construct breeding tanks for shrimpery

Nestled in the scenic central mountain range of the Cibao region of the Dominican Republic is Santiago, a quiet and genteel city noted for the industriousness of its people. Located on the outskirts of Santiago are the central offices of Industrias Mayra, a family business started in 1962 by Ramon Fernandez and three relatives. The company started with nothing more than a small family plot and four enthusiastic workers, and has grown to a multi-faceted business with over 300 employees. Industrias Mayra produces poultry feed, eggs and chickens, foodstuffs such as yucca, plantains, batata (a tropical tuber), corn and sorghum, and in 1986, expanded into freshwater shrimp production with Dominicana de Camarones y Peces. Overall, business has grown steadily by 10 to 20% annually according to Virgilio Lopez, General Manager, with the centerpiece of the operation being chicken and egg production. An average of 36,000 eggs and 15,000 chickens are sold daily.

In the first year of production, Dominicana de Camarones had some technical problems which were difficult to resolve due to the lack of technicians in the country with training in shrimp breeding and production. This problem was resolved by hiring Leonardo Sambrano, a highly competent biologist with 15 years of experience in the Ecuadorean shrimp industry. The company projects that by February or March, its first full scale harvest will be ready for export to Miami. Given the high cost of shrimp and the inability of most Dominicans to afford such a luxury, Sambrano conjectures that up to 90% of production will be exported. He and the general manager are in the midst of finalizing processing, freezing, and distribution arrangements for the February harvest.

The fascinating procedure of hatching millions of shrimp begins with an imported "coffee can" of fertilized shrimp eggs. The eggs are aerated in a giant funnel-shaped beaker in a water and protein solution. The larvae are then moved through a series of different tanks until they develop, and are eventually interbred. The period from the post-larvae stage until the females produce eggs is two to three months. The most delicate stage in the entire process is that of conserving the eggs for 25 to 30 days until they become adolescents. At this juncture, the shrimp are transferred to one of thirteen fresh water tanks, where they are fed a growth mixture followed by a mixture for fattening. Five months later, they are ready for sale. Dominicana de Camarones has no significant competition in shrimp production in the Dominican Republic. Sambrano knew of four salt water projects and ten small scale sweet water projects in the country, but judges that none of these companies are comparable technically.

The guarantee facility loan was utilized to build the costly infrastructure needed for the breeding tanks. In the words of Manuel Azcona, General Manager, the loan "was the infusion of money that allowed us to move ahead on the shrimp project in a significant way."

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: BANK NIAGA, INDONESIA, 940-0002.46
PURPOSE: SMSEs with monthly sales of less than $300,000
$2.0 Million

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	JOBS/ FEMALE	+ % SALES	EXPORTS	OTHER/ IMPORT
Budi Cahyono*	Offset Printing	E	M	D	$60	X/E	20/5 est	38	—	
Loekito Koesoemo*	Bird Nest Supplier/Processor	N	M/F	E	$236	X/WC	115/115		H	
Eddy Santoso	Transportation	N	M	D	$85	E	0 est	21 est		
Agung Widjojo Nyoto	Building Construction	N	M	D	$82	X	0/2 est	74 est	—	
H. Soeratman	Building Construction	N			$170	E	5/0 est	11 est		
Bambang Soejanto*	Manufacturer Packaging & Enamelware	N	M/F	D/E	$165	E			M	
Habib Widjaja	Garment Production	E	M		$61	WC	20 est	(15) est		
CV Waringin	Container Production	N			$76	WC		15 est		
Hendro S. Petra					$122					
Yenny Sriyono	Vetrinary Clinic	E	M	D	$39	X	0/0 est	10 est		
Sadijuno Hardjokusomo*	Fire, Hull & Motor Insurance	N	M	D	$116	X	4/1 est	29 est	—	
C. Picardy Gowa	Peanut Processing	N			$47	E	10/5 est	10 est		
Yanto Congkono	Food Processing	N			$45	E	20/5 est	15 est		
Freddy Wang Saguna	Optical Manufacturer	N	M	D	$49	E	2/1 est	10 est		
Erlanggang Wahyu	Electronic Distributor	N			$32	E	3/3 est	25 est		
Tan Han Kiong	Electronic Distributor	N			$32	E	7/6 est	10 est		
Sumandan W.					$33					
Rusmin Limoa	Textile Manufacturer	N			$27	E	1/0 est	10 est		

* Site visit report attached

As of December 1990

INSTITUTIONAL IMPACT

1. Employment - increased by 900 jobs.
2. Female Employment - increased by 117 jobs.
3. Collateral - requirement decreased from over 200% to 125%, better leveraging lendable funds to SMSE's.
4. Loan Terms extended, to 4.5 years under facility while terms for non-guarantee funds were less than one month.
5. Loan amounts are greater under guarantee than without.

KEY

C	= Construction		H	=	High
WC	= Working Capital		M	=	Medium
E	= Equipment		L	=	Low
I	= Inputs				
X	= Expansion				

1547-017/01
(3/91)

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: BANK NIAGA, INDONESIA, [illegible]
PURPOSE: SMSEs with monthly sales of less than $300,000
$2.0 Million

As of December 1990

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	JOBS/ FEMALE	+ % SALES	EXPORTS	OTHER/ IMPORT
Haryono*	Truck Transport	E	M	D	$61	E		50	—	
Jati Mesem	Cigarette Manufacturing	N	M		$24	WC		50 est		
Mirota Nayan	Supermarket	E	M	D	$60	WC	10/20 est	40 est		
Korean Garden	Restaurant/Food Processing	E	M/F	D	$181	C	4/0		—	
Yong Wje Leng*	Furniture Manufacturer	N	M	D	$88	X	30/2	200	D	
Budi Jaya Clinic*	Private Hospital	N	M	D	$301	CX	33/20 est	30 est	—	Purchase U.S. Equip.
Yayasan LPI	Banking/Finance College		N/A	D	$300	X/WC			—	
Mangku Abadi Company*	Magazine Publisher	N	M/F	D	$150	WC	10/5 est	20 est	—	
Soemarsono Salim	Construction Steel Supplier	N	M	D/E	$127	C			M	
P.T. Multi Panen Raya*	Feedlot & Slaughterhouse	E	M	D	$104	X	-9/-1		—	First facility of its kind in country
Soetjipto Yoe Angga	Food Distribution	N	M		$181	C				
Lembaga Gideon	Education	N		D	$300	E	30/10 est	30 est		
PT Suryanur Alam	Supermarket	N		D	$264	WC/E	10/5 est	10 est		
Pendidikan Indonesia	Education	N		D	$300	E	5/2 est	20 est		
Budi Prawiro	Printing	N		D	$60	E	2/0 est	20 est		
H. Sutantio	Wholesale & Cleaning Svc.	N	M	D	$101	WC				
Sari Jaya	Food Processing	E		D	$24	WC	3/2 est	10 est		
Toko Sinar	Electronic Sales	E			$15	WC	1/1 est	10 est		

INSTITUTIONAL IMPACT

KEY

C = Construction
WC = Working Capital
E = Equipment
I = Inputs
X = Expansion.

H = High
M = Medium
L = Low

* Site visit report attached

1547-017/01
(3/91)

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: BANK NIAGA, INDONESIA, 040-[illegible]2.46
PURPOSE: SMEs with monthly sales of less than $300,000
$2.6 Million

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	JOBS/ FEMALE	+ % SALES	EXPORTS	OTHER/ IMPORT
CV Sumber Mas	Building Construction	E	M	D	$121	WC	11/1 est	10 est		
Mulyadi Honya	Agribusiness	N		E	$109	E	2/2 est	15 est		
Sunandar Widjaja	Electronics Retailer	N	M	D	$33	E	2/1 est	15 est		
Sinar Harapan	Agribusiness Trading	N								
Inriana					$274	WC	0 est	10 est		
					$55					

As of December 1990

INSTITUTIONAL IMPACT

KEY

C =	Construction	H =	High
WC =	Working Capital	M =	Medium
E =	Equipment	L =	Low
I =	Inputs		
X =	Expansion		

1547-017/01
(3/91)

* Site visit report attached

LOEKITO KOESOEMO

Loan Amount: $236,471

Purpose: Cleaning and trading birdsnests

Twenty years ago Mr. Loekito and his wife operated a coconut export trading business on Java. On their trips to Hong Kong, friends in the crown colony used to ask them to bring edible birds' nests from Java. Seeing this as an opportunity to supplement their income from coconut trading, the Loekitos began selling nests in Hong Kong on a commercial basis. After 12 years of operating the birds' nest business as a sideline, the Loekitos gave up their coconut business and started processing and trading birds nests full time.

The nests Loekito buys, cleans and sells are made entirely of bird saliva by birds in central Java. It takes a bird an average of two or three months to make one nest weighing 10 grams. Nests are collected by villagers and sold, uncleaned, to the Loekitos for about $300 a kilo. When Loekito buys the nests they are dirty, varying in color from yellow to black.

The nests are then soaked in water and hand cleaned by the Loekitos' employees. Cleaning by hand takes about 15 minutes per nest. Loekito cleans the nests this way even though a nest cleaning machine is available locally, because the Loekitos believe that hand cleaned nests are better in quality, provide more jobs and higher profits. Most of the 165 young women who clean nests are paid less than $3.00 per day.

The nests are then dried in rooms filled with table fans. The dried nests are reshaped into their original cut-shaped form, and then taken to Hong Kong where they are sold at a price of about $1000 per kilo. All of the nests are sold abroad, with buyers including major restaurants in Hong Kong as well as distributors selling to restaurants and traders in Singapore and Japan. Currently, the Loekitos are the largest birds' nest processor and exporter in Indonesia. Most other exporters sell uncleaned nests to distributors in Hong Kong and Singapore; the Loekitos clean all of the nests that they export because they can sell higher quality, cleaned nests at a greater margin than uncleaned ones.

Before receiving a $54,811 loan under the PRE/Niaga program, the Loekitos had never had a commercial loan for their nest business. Their first loan was for three years at an interest rate of 22 percent, and was used to buy the house in which they currently run their cleaning and drying operation. This house is in a wealthy residential area about one kilometer from their own residence. Loekito felt that such a valuable commodity required the better security available in a good residential area rather than an industrial one.

The biggest constraint facing the couple now is the large working capital requirements of a commodity like birds nests. The business currently has, by conservative estimates over $500,000 in inventory at any given time, and they feel that they now require almost $1,000,000 in working capital to begin to sell directly to distributors in Hong Kong, Singapore and Japan. In order to help the business meet this working capital requirement, Bank Niaga granted a revolving credit facility to the couple in April 1987; the terms were one year at 22 percent with 100 percent collateral. For the first year this credit was guaranteed by the PRE facility, but it has now been renewed on an unguaranteed basis.

Between the time when the first Bank Niaga loan was granted and September 1988, the couple has hired 115 new workers (all of these were women). They currently have no trouble selling every nest they clean, and intend to add more rooms to the cleaning house and buy more uncleaned nests. Once their inventory increases, they hope to begin to sell directly to buyers in Japan, Korea and Germany.

SADIJONO HARDJOKUSOMO

Loan Amount: $115,713

Purpose: Insurance company

Mr. Sadijono Hardjokusomo is the President of P.T. Asuransi Remayana. P.T. Asuransi Remayana, established in 1956, is the fifth largest of 65 insurance companies in Indonesia. The company provides fire, marine cargo, hull, motor and miscellaneous property insurance. In 1987, the company had total assets of $9.1 million and net income of approximately $233,000. In 1986, the latest period for which the figure was available, the company had gross premium income of $11,815,566.

P.T. Asuransi currently has 16 branches in the country with the largest in Jakarta and the second largest in Surabaya. The Surabaya branch has grown quickly, spurred by the rapid increase in shipping trade through Surabaya's port. In 1986 the company decided that its old office in downtown Surabaya was too small and so new office space was needed.

P.T. Asuransi has had a deposit relationship with Bank Niaga for ten years, and recently received a loan from Niaga to purchase an office building for its Malang Branch. the Surabaya P.T. Asuransi branch manager approached the Bank Niaga Darmo Branch in Surabaya for a loan to buy a building. The branch, which usually makes "consumer loans", agreed to make a loan in the name of the president of P.T. Asuransi. (Consumer loans are loans to individuals, collateralized by personal assets and guarantees).

By making a consumer loan to the president of the insurance company, the Darmo Branch was able to cut the usual loan approval time down to one week, and to put the loan under the PRE guarantee facility. If the loan had been made to the company, the branch would have had to complete a thorough credit analysis of P.T. Asuransi. On the other hand, to make a personal consumer loan to the company president, they only had to verify the president's personal income and bank accounts. In addition, P.T. Asuransi Remayana has monthly premium income of over $900,000, while the president's personal income is significantly below the PRE maximum of $300,000.

RSB. BUDI JAYA

Loan: $300,120

Purpose: Establish Hospital

Dr. Ichramsjah Rachman received his certification as a doctor of obstetrics and gynecology in 1970. He set up an eight bed clinic in a lower middle class area of Surabaya, while also performing mandatory full-time service in a local government hospital. By the mid 1970s his clinic, specializing in delivery of babies, had 12 beds, but still only one doctor and one midwife. As his practice grew, Dr. Rachman added an operating theater. With rapidly increasing demand for this services, and a pressing need to involve specialists in his clinic, he began to consider building a small hospital, and purchased several plots of land around his clinic.

In the early 1980s the Indonesian Health Ministry began a program to encourage the building of private hospitals and Dr. Rachman unsuccessfully applied for a permit to construct one. In 1986, along with a small group of doctors, Dr. Rachman applied once again and was granted a certificate to establish the Budi Jaya Clinic. By this time the group had grown to 22 doctors, most of whom had become partners in the new hospital company. The company applied to Bank Niaga for financing to construct a hospital building, and was granted a four year, 22 percent loan for $300,120. Collateral for the loan is land and building worth 83 percent of the loan. According to Niaga branch staff, if there had been no PRE guarantee facility available, the bank would have given only $181,000 and would have charged an additional 1.2 percent interest. Gross revenues for the hospital at the time the loan was made were estimated at $7,550 per month, with most doctors working only part-time until the clinic is completed.

As of September 1988, four floors of the building are complete with 50 patient beds and two operating theaters in service. The entire building is expected to be completed in December 1988. Current staff consists of the following:

15 obstetricians
3 anesthesiologists
2 pediatricians
1 pathologist
1 general practitioner
18 nurses
5 midwives
15 support and administrative staff

The Revolving Fund loan file for Budi Jaya Clinic states that the clinic will purchase equipment from the United States. Hospital staff interviewed said that they intended to purchase some machinery and equipment from the U.S., but that in fact they have made their purchases from Taiwan, Japan and Germany. Staff doctors mentioned that in their experience, U.S. equipment is often significantly more expensive than similar equipment from other sources, and they have difficulties in obtaining adequate maintenance services for U.S. goods.

Dr. Rachman expects that the clinic will be in full operation by Spring of 1989. In 1987 the doctor received a certificate in in-vitro fertilization (IVF) and menopause under a WHO program in London. He now plans to begin an IVF program in the clinic; this will be first such program in East Java. In addition, the group has been promised a license to establish a general hospital, and says that they would be interested in considering a joint venture project with a foreign health company to undertake this project.

P.T. MANGKU JAYA ABADI

Loan Amount: $150,602

Purpose: Expand women's magazine

P.T. Mangku Jaya Abadi Company published Sarinah, a women's magazine. The magazine, issued every two weeks, is described by its chief financial officer as similar to Family Circle in the U.S. The glossy covered magazine covers fashion, home furnishings, cooking and women's issues. In addition to Sarinah, the company also publishes some novels.

Sarinah was started in 1982 by four partners, three men and one woman, with an investment of $175,00, and an initial circulation of 35,000. Current circulation is 140,000 throughout Indonesia, current monthly sales are $291,000; gross assets are $2.3 million and net worth is $147,000. The company has a total of 120 full time employees, including 70 women.

P.T. Jaya Abadi has had a banking relationship with Niaga ever since the company started. Bank Niaga provides evergreen working capital credits that are used to pay regular production and marketing expenses. In February 1988, Bank Niaga gave Jaya Abadi a credit of $150,602 under the guarantee facility, and increase the total line of credit for the company to $382,000. The PRE-guaranteed loan was granted for 15 months at 23 percent, and is 116 percent collateralized by land, cars and paper inventory owned by the company.

There are currently eight other women's magazines in Indonesia, with two, Femina and Kartini, competing directly with Sarinah for the urban middle class women's market. In addition, with Indonesia's low per capita income ($520 in 1985) declining by an average of 1% per year from 1982 to 1986, the market is highly competitive. To make things more difficult, the government has limited advertising space in magazines to 35 percent of all pages in order to spread advertising revenues among companies. This particular rule has resulted in low growth in advertising earnings for Sarinah, and advertising rates in Indonesia that are among the highest in the world.

Under these conditions, Sarinah's circulation has stagnated and the company's financial manager has been seeking means of improving the company's performance. In 1987, she began a project to create a mass market edition of the magazine, using simpler language, fewer pages, bigger print, and extensive rural distribution operations. This down-market version would be targeted toward women outside of Jakarta with an expected starting circulation of 50,000.

The finance manager says that they have developed good financial projections for this project, but that Bank Niaga refuses to allow further increases in the publisher's line of credit. The finance manager remarked, "As usual, they only give us half of what we need!" Such creative tensions are commonly found in banker-client relationships.

BUDI CAHYONO PRAWIRO

Loan: $60,640

Purpose: Buana Printing

Budi Cahyono Prawiro operates a small but growing offset printing shop in Jakarta's Chinatown. Since establishing the business in 1980, it has grown from eight to 40 employees, including two women on the administrative staff. Budi used his own capital initially to get started in the printing business. His first bank loan came in 1982 from Bank Central Asia, Indonesia's largest private foreign exchange commercial bank. This working capital loan was used to buy the company's printing plant, and was subsequently converted to a fixed asset term loan. Besides the printing company, Budi's family invested in a retail computer shop one year ago. This business is operated separately from Buana Printing and is managed by Budi's brother.

Mr. Budi's business at first was dependent on one major account, a large joint venture pharmaceutical company for which he printed boxes for medicines, toothpaste and other products. Buana Printing also prints advertising posters and pamphlets and product labels for its clients. By 1987, with business beginning to slow, Budi determined to raise additional capital for the purchase of new equipment to expand his plant capacity and his client base.

Mr. Budi approached Bank Niaga for a fixed asset term loan to purchase a new German-made offset printing press. Budi, whose firm's total assets were about $395,000 before the loan, received a Rupiah 100,000,000 ($60,640) two-year loan at 24 percent p.a. under the A.I.D. facility in March 1987. The loan is secured by real estate, including the land, plant and machinery owned by the company. The new printing press allowed Budi not only to increase output, but to increase quality as well. Budi can now easily accept multicolor orders that were difficult to produce on his hold machines.

Mr. Budi's business has grown to the point where he now has ten major customers who account for over 70 percent of his total profit. These clients include such prominent names as Phillips Electronics, Bata Shoes, and Djarum, a major tobacco company. Total annual sales have reached $544,000 while Buana has total assets of over $470,000. A major problem now for the busy company is production scheduling. Buana Printing runs three shifts, 24 hours a day, as clients demand quick turnaround time. Competition is fierce, with three competitors alone situated on the same street as Budi's shop. One advantage Buana Printing has is its graphic design service, something that is usually offered by only big companies.

Mr. Budi reports that he needs additional credit, particularly working capital pr[illegible] to year-end when his company receives many orders for printing calendars. Budi has to buy large amounts of paper and process it over several months during which he receives no advance payments from clients. As it takes one-two months from invoice date to collect on receivables, the entire calendar making process can take up to four-five months before payment is received. This puts serious trains on Budi's cash flow position.

HARYONO

Loan Amount: $58,825

Purpose: Truck transport company

Mr. Haryono founded his transport company in 1969 to carry goods between major urban centers on the island of Java. The company now employs 50 men and transports tires, coffee, pharmaceutical drugs, and other products between Surabaya, Jakarta and Bandung. Each of Haryono's trucks makes an average of four fully loaded round trips per months from Surabaya. Haryono's fleet now consists of 18 trucks, all of French, German and Japanese origin.

Haryono's last major loan before coming to Bank Niaga was a 1982 unsubsidized five-year term loan from Tamara Commercial Bank, a medium-sized private non-foreign exchange commercial bank. Since then, Haryono has developed a relationship with Bank Niaga and has drawn down two loans from the bank because it offered him larger loans at lower rates of interest than Tamara Commercial Bank. His first loan in February 1986 was for a home mortgage which currently has $55,900 outstanding under it. Bank Niaga's loan to Haryono under the A.I.D. guarantee facility is a five-year fixed asset loan for Rupiah 100,000,000 ($60,640) at 26 percent p.a. granted in August 1987. The loan was used to purchase new trucks and for financing ongoing operations. Haryono's fleet now includes two modern container trucks that he operates jointly with another transport company.

Haryono's annual sales have reached $300,000, double the $150,000 figure achieved five years ago. While business volumes and sales figures have steadily grown, however, tough competition in the truck transport business had kept profit margins low. In addition, the purchase prices of imported trucks have risen rapidly, as have fuel prices and imported spare parts costs (largely due to the rupiah's two major devaluations since 1983). Haryono has sought to offset the higher costs of doing business by improving the administration of his business and increasing the average payload carried by his trucks from ten to 20 tons.

Haryono appears disappointed with the low margins and stiff competition in the transport business. His immediate goal is to sell his truck transport company in order to finance a new shrimp farm and cold storage company that he is planning to start with three partners. The group has already approached Bapindo, the state development bank for both subsidized investment and short-term working capital loans that the commercial banks are unable to offer. Having had previous working experience in a prawn fishing and processing business from 1977-81, Mr. Haryono is confident he can make a greater profit in shrimp farming and cold storage than in the transport business.

YONG WIE LENG

Loan Amount: $88,235

Purpose: Furniture shop

Yong Wie Leng is a third generation Chinese manufacturer of furniture. He currently owns two furniture workshops, employing a total of 50 male laborers, and is planning to build one more workshop financed by the cash flow from his business. He also owns a small construction business that builds residential homes and employs 20 laborers.

Mr. Yong's furniture business has total assets of about $109,000 and equity of $35,000. The business has grown dramatically since Yong received a rupiah 150,000,000 ($88,235) five-year fixed asset loan at 24 percent p.a. from Bank Niaga in December 1987 under the A.I.D. facility. The proceeds of this loan were used to purchase a three-story building to serve as a furniture showroom. The building is collateral for the loan. Mr. Yong has hired two women to work with him in the showroom.

Prior to this purchase, Yong's friends sold the furniture directly to other acquaintances and private companies. He also only employed 15 workers in his workshops and monthly sales averaged about $11,750. After opening the showroom, sales almost immediately doubled, the number of workers employed more than tripled, and business continues to grow. In fact, Mr. Yong now proudly points out that monthly sales have just reached $35,000, of which 15-20 percent is profit.

Yong's success in his furniture business is encouraging him to diversify his business interests. He plans to join with three partners to set up a lac plantation on Lombok, east of Bali. Their intent is to export lacquer. They have approached Bank Rakyat Indonesia, which offers subsidized credits for agricultural development projects, for a term investment loan.

H.M.Y. BAMBANG SUJANTO

Loan Amount: $164,700

Purpose: Expansion of manufacturing facility

Mr. Bambang Sujanto, along with his three brothers and four sisters, runs a large and prospering family business, P.T. Kedawung Setia Industrial Ltd., established by their father in 1974. The company, which began as a wood products factory, now manufactures four product lines: (1) enamelware; (2) corrugated carton boxes; (3) polyprophylene plastic mats; and (4) egg tray cartons. Mr. Bambang is company chairman.

The sprawling factory complex, located in a suburban area outside of Surabaya, is modern and well maintained. There is sufficient undeveloped property in the complex on which to expand facilities, something which Mr. Bambang intends to do in the near future. The factory currently employs 2,000 workers; 40 percent of the employees are women who are mainly engaged in handicraft work on enamel pots, pans, and kettles. Total corporate assets are valued at $7.4 million.

The most profitable business line, by far, is the enamelware division. Monthly sales of enamelware products have now reached $900,000. A growing proportion of this figure represents exports to such countries as Saudi Arabia, the Philippines, and the U.S.A. Mr. Bambang claims to have recently completed $500,000 in exports over a two-month period, and, in addition, has a $7.5 million contract for the export of enamelware products in the U.S. in 1989. Since it will be necessary to expand production in the enamelware factory in order to be able to fill all the orders, Bambang is importing new machinery from Holland, China, Taiwan, and Japan and supplies of raw material from West Germany. The new addition to the factory will require the hiring of 300 more laborers.

The corrugated carton box division produces monthly revenues of $8,000, while the plastic mat division brings in $300 monthly and the egg tray carton line only $100. Profits for the company as a whole for the year through August 1988 were up 15 percent over the same period in 1987. Profit reported by corporate accountants through August 1988 totals $205,000, and projections for year-end are profits of $308,000.

The company primarily banks with Bank Rakyat Indonesia, the large state-owned bank, from which it has had term investment loans to support plant and equipment purchases. Mr. Bambang approached Bank Niaga for a loan and one was granted in March 1987 under the A.I.D. guarantee facility. The loan is for rupiah 280,000,000 ($164,700) for seven years at a rate of 22 percent p.a. to purchase fixed assets. Bambank used the loan proceeds to purchase a building, which collatertized the loan, to serve as an office for corporate sales and representation in Surabaya. By making a consumer loan to the chairman of Kedawung Setia Industrial, the Darmo Branch of Bank Niaga was able to adhere to the A.I.D. requirement that loans under its facility be made to borrowers having monthly revenues under $300,000. While Mr. Bambang's company has monthly sales revenues for larger than this figure, Bambang's personal income is well below this level.

In addition to his role as chairman of Kedawung Setia Industrial, Mr. Bambang also is a major partner in the new three star Malang Regent International Hotel, has a ten percent investment interest in a small finance company in Jakarta, owns a 300 acre fruit orchard in Malang, and is just starting a shrimp farming and cold storage business.

P.T. MULTI PANEN RAYA

Loan Amount: $103,650

Purpose: Cattle Feedlot and Slaughter Company

South Sulawesi ranks third in Indonesia, behind East Java and Bali, as a producer of cattle for meat. East Java and Bali, however, are currently slaughtering more cattle than their annual increase in herd size and their outputs is decreasing. As a result, South Sulawesi is considered to be the primary cattle raising area in Indonesia for the future.

P.T. Sama Samsega is a large, Jakarta-based buyer of cattle. Much of its supply is purchased from South Sulawesi. In order to diversify its business and to achieve vertical integration, P.T. Sama Samsega's corporate parent established P.T. Multi Panen Raya (MPR) in 1985 in Ujung Pandang, the capital of South Sulawesi. MPR does not presently raise cattle itself but purchases two year old cattle from farmers in south Sulawesi for subsequent sale to P.T. Sama Samsega. MPR is of average size for cattle feedlots, and enjoys an excellent reputation among farmers for paying bills on time or, if needed, in advance.

MPR ships the cattle live by boat to Jakarta, a trip of four to five days. Unfortunately, cargo boats are used because neither of the two shipping companies has boats designed for cattle. The cattle must be lifted abroad, instead of walking on as they would a cattle boat, and are so frightened by the experience that they often do not eat well for several days. This problem is compounded by the fact that the boats do not have pens for the proper holding and feeding of cattle. After arriving in Jakarta, the cattle are kept in holding pens, where they may continue to eat poorly, often for several days before being slaughtered. Thus, many cattle die before being slaughtered and those that do not often lose valuable weight.

Of MPR's seven competitors, five ship live cattle as described above and two slaughter the cattle in Sulawesi and ship the frozen meat. These two firms, however, have excess capacity at their slaughter house and cold storage facilities. In order to avoid the problems and costs of shipping live cattle by boat, MPR rented one of these slaughter house and cold storage facilities part-time but found it inefficient and unable to provide a satisfactory level of quality. MPR resumed shipping live cattle by boat and decided to construct its own facilities.

MPR obtained a $104,000 loan from Bank Niaga under the PRE guarantee program and used the proceeds, along with an additional equity contribution, to purchase 13 hectares of farm land approximately four kilometers from Ujung Pandang airport. The land will be used for growing cattle feed and fattening, slaughtering and freezing cattle. None of their competitors grows feed and fattens cattle before slaughtering.

Eighteen month old cows purchased from local farmers will be fattened for three to six months. During that time the weight of the average cow will increase from 200 to 300 kilos. The cows will eat locally produced feed pellets and elephant grass. Because elephant grass is not grown on South Sulawesi, MPR expects to grow part of its elephant grass needs itself and to introduce the crop to local farmers and purchase their output. The cattle farm will have 30 sheds each capable of fattening 200 cows. Each month MPR will slaughter, freeze and ship by air 2,000 head of cattle to Jakarta, more than double its current output.

Currently there is little pressure to sell to new markets. MPR and its competition are unable to satisfy the demand for meat in Jakarta. Nonetheless, once they become fully operational, MPR expects to begin selling to Kalimantan and Irian Jaya and hopes to export to Brunei.

Since it will have a modern, efficient cold storage facility, MPR is considering diversifying into other food products within a few years. The most likely such products are shrimp and fish which South Salawesi has in abundance.

Approximately thirty people will be hired to run the new facility in five months when it is finished. The decrease in employment at MPR over the past year was due to a decline in part-time employees when MPR stopped renting the local slaughterhouse and cold storage facilities. The decrease will be more than compensated for by the new hires.

MPR expects to beat its competition by having modern facilities and by fattening cattle before slaughtering. The two firms currently operating slaughterhouse and cold storage facilities suffer from high overhead due to their excess capacity. These facilities are too large relative to current cattle production in South Sulawesi. MPR's smaller facilities will be appropriate for the current market size and will be able to grow as needed. Furthermore, fattening the cattle is a cost effective means for MPR to produce more and higher quality meat at a lower cost than the competition.

MPR will also work with the veterinary school at the local university. The university will provide technical assistance while MPR will provide animals for research and a fully equipped laboratory. MPR expects a symbiotic relationships will develop where the university will benefit from the access to modern laboratory facilities and MPR will benefit from the research of the students and professors.

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: FINANCUL [illegible]
PURPOSE: Provide dollar-denominated letters of credit to importers. $1.4 Million

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE (000)	USE	JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT
RIJALI*	Livestock Farming	E	M	D	$17	I				
ORINCUSA*	Poultry Hatchery	E	M	D	$137	I		33%		Import Inputs from U.S. ^

As of December1990

INSTITUTIONAL IMPACT

1. Policy dialog begun with Finance Ministry to improve credit facilities available to importers.
2. Lower collatoral required of subborrowers.
3. Reduced import delay for subborrowers.

KEY

C = Construction		H = High	
WC = Working Capital		M = Medium	
E = Equipment		L = Low	
I = Inputs			
X = Expansion			

* Site visit report attached

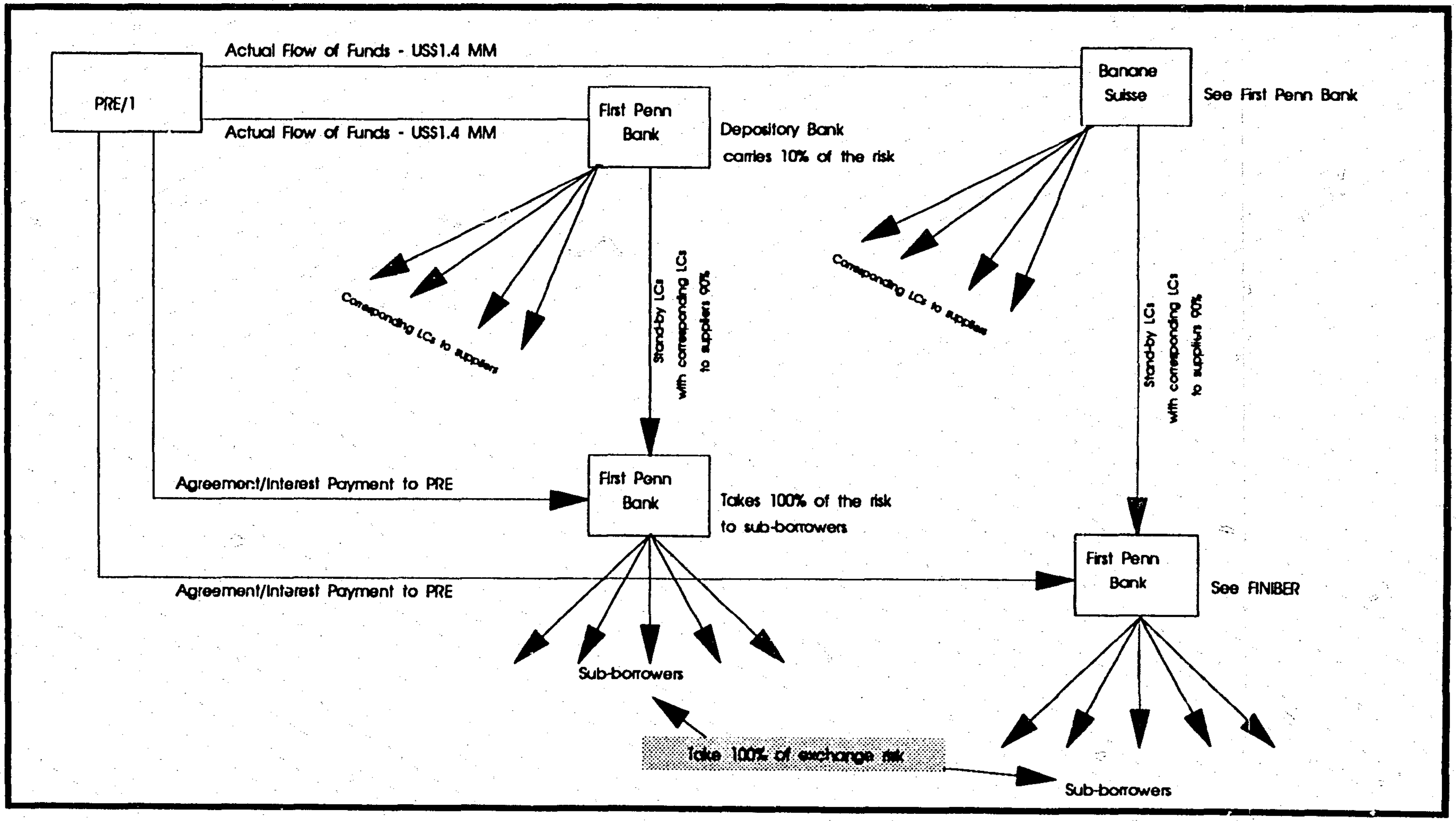
1547 023/01 (3/81)

FINANCIERA IBEROAMERICANA SA (FINIBER)

and

FINANCIERA DE GUAYAQUIL SA (FINANQUIL)

CATEGORY: Direct Loan to IFI/BI_____ Account



1547-009.DRW

1547-009/D1
(2/91)

RIJAL

Loan Amount: $17,000

Purpose: Purchase baby turkeys

From one day to the next, Jorge Ripalda took a quantum jump from being a carefree student at the University of Michigan to having full responsibility for a huge hacienda. Jorge's father died suddenly in 1982, leaving him at the helm of the family business. Rijali is comprised of a dairy farm with 2,500 head of a special breed of tropical dairy cattle, a small milk and yogurt processing plant, 150 horses which are sold and used for breeding a pure domestic strain of horse, a turkey farm, and extensive cultivations of animal fodder.

Ripalda's father purchased the hacienda 20 years ago, and started the turkey business 12 years ago. At that time, he was the only turkey producer on the coast, and produced 4500 birds. Rijali continues to import hatched turkeys and fatten them for sale. The company expects to sell 14,500 birds this year and presently has no interest in expanding into production.

In 1979, Pavilandia came into existence, which created competition for Rijali in the coastal turkey market. Pavilandia went out of business after two years due to the fact that it grew too fast, and had pushed unit costs too high by purchasing costly freezing machinery. In 1981-82, two more producers came into the market. One failed due to poor management, and the other, which was also involved in hatching, failed because of unreliability in the supply of necessary ingredients for baby turkey food. Two years ago Rijali again became the sole turkey producer on the coast. Its only other domestic competition is a producer in Quito. Rijali does 70% of its business on the coast, and 30% in Quito. Sales for 1986 reached $250,000; fixed assets are estimated at $120,000. There are seven employees who work directly with the turkeys.

Ripalda has his own freezing and packaging plant in Guayaquil. From there, the turkeys are moved to two sales points in Quito and Guayaquil, where they are sold to wholesalers. Turkey is considered a luxury in Ecuador, which is understandable when one considers that an average-weight turkey costs US$ 40. For the most part, turkeys are consumed only at Christmas time and are often given by employers in "Christmas baskets".

Ripalda has dealt exclusively with FINANQUIL since he took over the business, and commented that his father had a lengthy business relationship with the financiera up until his death. Rijali was one of two businesses that fit the criteria of the A.I.D./FINANQUIL agreement, so the financiera suggested that he use the guarantee facility for imports. The L/C was part of a financial package that includes domestic letters of credit and loans for working capital.

Ripalda's major complaint about the turkey business is the high cost of a balanced poultry diet. The only alternative is to make and pelletize feed to satisfy their own requirements, which he is actively researching.

ORINCUSA

Loan Amount: $137,000

Purpose: Purchase fertilized chicken eggs

Orincusa is one of a group of four businesses involved in the production of broilers. Orincusa's role is to complete the first step of the process, which is importing fertilized eggs for incubation and hatching. This aspect of the business was started only two years ago to ensure a steady and reliable supply of chicks to the other businesses. After the eggs are hatched, they are moved to Pubenza for seven weeks of fattening, on to Peaza for slaughtering and packaging, and finally to Portipollo for sales and distribution (these are the sister companies). By the end of the year, Orincusa hopes to be doing its own egg fertilization as well.

Presently, 36,000 chickens are hatched weekly, 80% of which are sold to Pubenza. This is significantly lower than the 54,000 requested by the sister company. The largest problem confronted by Orincusa is the non-availability of fertilized eggs, which frequently has stalled production. There are simply not enough produced domestically to satisfy the demand, so the business has had to resort to importing the eggs from the U.S. The inconvenience and cost of this transaction makes it a less than desirable alternative. The constantly rising exchange rate is also a factor due to the narrow price margin for chicken. To make matters worse, a series of shipments from Georgia scheduled for June, July, and August were suspended because a heat wave in the south killed large numbers of poultry. As a result of this, Orincusa is branching out, and will have 10,000 of its own reproducers by December. All of the technical people and equipment are in place and finishing touches are being done on the infrastructure. This is an important move for the company, since sales this year have suffered due to the unavailability of eggs. Last year, weekly sales were well over $16,000 and in 1987 have only averaged $12,000.

Orincusa's sister company, Portipollo, faces stiff competition in the coastal chicken market. Its largest competition is Fernandez C.A. of Manavi, which has 25 incubators (as compared to Orincusa's six), and fertilizes their own eggs. Fixed assets for Orincusa's part of the operation are $150,000.

The entire chicken operation is owned by Guillermo Castro and his five children. Gabriel Roca, General Manager, explained that Castro has been a client of FINANQUIL for many years, and started the business with an IDB loan targeted for fixed assets. The letter of credit under the guarantee facility was opened to import 28,000 fertilized eggs from Georgia. There were considerable difficulties with the shipment. The cargo plane made an unplanned stop in Panama, where the eggs were taken off the plane and set on the runway. The additional movement and exposure to heat resulted in a 50% loss. Although the letter of credit was canceled with Swiss

Bank, Orincusa had to request a loan from Finanquil to keep up with the scheduled payments. Its claim has yet to be settled with the insurance company.

Gabriel Roca, a Pfizer pharmaceutical representative turned chicken hatchery manager, has learned an impressive amount during his three months on the job, and prides himself on the active interest he takes in anything related to poultry. "It'll be open highways for us once we set up a reliable, ongoing supply of fertilized eggs. The only way to do this is to take the matter into our own hands", he explained. Here is an excellent example of a businessman who has turned a problem into a business opportunity.

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: FINBER [illegible]-0062.36
PURPOSE: Provide dollar denominated letters of credit to importers who are small agri-businesses
$1.4 Million

As of December 1987

PROFILE OF LOANS AND BORROWERS							DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT
Metain*	Locks, Hinges, Handles Manufacturer		M	D	$43	E				
Indurama*	Kitchen Appliances Manufacturer		M	D	$63	I				
E. Orejuela	Flower Export				$93	I			H	
Ind. El Tunel	Bakery		M	D	$23	E				
Condecuero*	Leather Products		M	D	$8	I				- Produces Hush Puppies shoes under contract - Equipment from U.S.
Indurama*	Kitchen Appliances Manufacturer		M	D	$20	I				
ICARO*	Commuter Airline		M	D	$250	E	5			Import U.S. aircraft
Cedal*	Aluminum Products	E	M	D/E	$102	I			L	Significant import substitutions
Cortyvis*	Curtains Manufacturer		M	D	$11	E				
Matelec C.A.*	Computer/Communications Sales		—	D	$8	E				
Indusur	Agriculture Equipment Sales				$48	I				
Indurama*	Kitchen Appliances Manfacturer		M	D	$109	I				
Cortyvis*	Curtains Manufacturer		M	D	$44	E				
Extractos Andinos	Food Additive Manufacturer			D/E	$103	E			L	
Oxidos de Plomo	Battery Manufacturer				$149	I				

* Site visit report attached

INSTITUTIONAL IMPACT

Positive

1. Policy dialog begun with Finance Ministry to imporve credit facilities available to importers.
2. Lower collateral for subborrowers.
3. Reduced import delay for subborrowers.

KEY

C = Construction		H = High	
WC = Working Capital		M = Medium	
E = Equipment		L = Low	
I = Inputs			
X = Expansion			

1547 024/01
(3/91)

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: FINDER [illegible]
PURPOSE: Provide dollar denominated letters of credit to importers who are small agri-businesses
$1.4 Million

As of December 1987

BORROWER	TYPE OF BUSINESS	PROFILE OF LOANS AND BORROWERS: NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	DIRECT DEVELOPMENT IMPACT: JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT	INSTITUTIONAL IMPACT
Retore	Industrial Machinery Repair		M	D	$26	E					
Extractos Andinos	Food Additive Manufacturer			D/E	$14	E			L		
Matelec C.A.*	Computer/Communications Sales		--	D	$22	E					
Matelec C.A.*	Computer/Communications Sales				$7	E					
Extractos Andinos	Food Additive Manufacturer			D/E	$23	E			L		
Alocirga	Agriculture Production				$20	E					
Indurama*	Kitchen Appliances Manufacturer		M	D	$23	I					
Extractos Andinos	Food Additive Manufacturer			D/E	$4	E			L		
Rosinvar*	Flower Exporter	N	M	E	$60	I	15/8		H	Export to U.S.	
Cortyvis	Curtains Manufacturer		M	D	$18	I					
Hilacril	Textile Manufacturer				$92	I					
Inco Agro	Agriculture Input Sales				$32	I					
Matelec C.A.*	Computer/Communications Sales		—	D	$14	I					
Condecuero*	Leather Products		M	D	$8	E				- Hush Puppies - Imports Equip/US	
Palmeras de Los Andes*	Palm Oil Production		M	D	$32	I					
Indurama*	Kitchen Appliances Manufacturer		M	D	$13	I					

KEY

C	= Construction		H	=	High
W/C	= Working Capital		M	=	Medium
E	= Equipment		L	=	Low
I	= Inputs				
X	= Expansion				

* Site visit report attached

1847-024/01 (9/88)

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: FINSEER 940-0002.36
PURPOSE: Provide dollar denominated letters of credit to importers who sell small agri-businesses
$1.4 Million

As of December 1987

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT				INSTITUTIONAL IMPACT
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT	
Industrias Dacar*	Battery Manufacturer		M/F	D	$25	E					
Condecuero*	Leather Products		M	D	$21	E				- Hush Puppies - Import Equip/US	
Indusur	Agriculture Equipment Sales				$45	I					
Indusur	Agriculture Equipment Sales				$24	I					
Indurama*	Kitchen Appliances Manufacturer		M	D	$43	I					
Indusur	Agriculture Equipment Sales				$21	I					
Condecuero*	Leather Products		M	D	$11	I				- Hush Puppies - Import Equip/US	
APCI	Drainage Pipe Manufacturer		M	D	$93	E					
Metain*	Locks, Hinges, & Handles Manufacturer		M	D	$9	E					

KEY

C =	Construction	H =	High
WC =	Working Capital	M =	Medium
E =	Equipment	L =	Low
I =	Inputs		
X =	Expansion		

* Site visit report attached

1547 024/01
(3/91)

METAIN

Loan Amount: $42,355

Purpose: Purchase foundry and mold boxes and a metal press

Llado started Metain in 1979 and is 70% owner(his brother and father own the remaining 30%). Prior to this he had a woodworking plant, and got into injectable metals by a rather circuitous route. He had gone to France to discuss an industrial carpentry venture with a French company. Upon realizing that his production capability was far below his prospective partner's requirements, Llado began investigating other possibilities. He had seen locks, hinges, and door handles being made of Zamak, an alloy made of 94% zinc, 6% aluminum, copper, and magnesium. Llado knew nothing like this existed in Ecuador, and was impressed with its multiple uses. After visiting two plants in France and one in Spain, he made arrangements to import a machine from Spain with a combination of 40% personal investment and 60% FINIBER (Fopinar) and Fondo Financiero financing, and opened METAIN. Llado explained that in 1979 it was very easy to open a small business because there was ample credit available.

Metain manufactures locks, hinges, door handles, parts and pieces for industry, bathroom accessories, and has recently diversified into an attractive, low cost line of furniture, shelving and closet organizers. Their production policy has changed considerably in response to worsening economic conditions in the country. Initially, the line was made up of very specialized products. Since purchasing power is constantly dropping for many Ecuadoreans, Metain moved into manufacturing larger, more durable products, such as beds which can be purchased for $50.00.

There are two other small businesses that produce fixtures in Ecuador, although Metain controls about 80-90% of the fixtures market. They have not begun to export because of limited production capacity. Since the market is relatively small, production is always rotating from product to product.

Sales in 1986 were US$ 445,000. The largest impediment faced by manufacturers in this area is the tremendous amount of contraband which floods the market. "Containers are regularly diverted from the U.S. and the merchandise sold at greatly undercut prices. We industrialists are clobbered by customs duties."

Llado knows his market and has a clear understanding of the financial environment in Ecuador. His efficiently run operation is moving to a new location, where they will have a flatter area to restructure the production line.

INDURAMA

Loan Amount: $ 259,920

Purpose: Purchase parts & pieces for kitchen appliances, metal sheeting, and 1,000 refrigerator condensers

Indurama is located in the outskirts of Cuenca, the third largest city of Ecuador, considered by many to be the most charming spot in the country. Sergio Jaramillo holds 61% ownership, and the remaining 39% is divided among 25 shareholders. The business was started in 1972 by five individuals with US$ 300,000 in mostly private capital. Approximately 300 employees (10 women) work two shifts, and manufacture gas stoves, refrigerators, and water heaters. Studies are being conducted to determine the viability of expanding to washing machines. Currently Indurama controls 25% of the national market, and does no exporting. Fixed assets are reported at US$ 1.1 million. Efforts are under way to restructure the company, so no large scale expansion is planned for the immediate future. This was necessitated by a $1.5 million loss which the company had to absorb in 1982. Indurama incurred this loss as a result of its lack of control over financial exposure against the floating dollar which took a sudden and unprecedented rise against the sucre during this time.

According to Marcelo Velez, treasurer of Indurama, the business has received credit from Banco Popular, Ecuafinanza, La Previsora, Banco de Pichincha and FINIBER. "The advantage of dealing with FINIBER is that service is extremely fast and efficient", he said. FINIBER offered them a line of credit from the onset to cover the payment of letters of credit.

Sales have grown steadily from $1.3 million in 1984, to an estimated $5.05 million for 1987. Velez predicts continued sales growth and expansion for the company.

CONDECUERO

Loan Amount: $49,176

Purpose: Purchase machines used in shoe manufacturing, machine parts, and shoe lining materials.

Fabian Izurieta began his business in 1980 manufacturing expensive, all-leather dress shoes, but found the demand for his products suffering due to the economic recession. "I saw that I had to make my line more accessible," Izurieta reports. After switching to production of a more "popular", casual shoe, Izurieta was given the Ecuadorean franchise for manufacturing Hush Puppies. Business improved, and Izurieta began to manufacture several different brands of shoes in his factory, which is located 25 kilometers south of Quito in the rural area of Machachi. Later, he added a chain of shoe stores.

As part of the ongoing expansion of his company, Condecuero, Izurieta opened four letters of credit under the A.I.D. guaranty facility. The letters covered imports of machine parts, machines for stretching shoes and attaching heels, and a new type of simulated leather. The machinery, parts and materials he purchased with the help of the A.I.D. letter of credit did not directly increase production but helped him to "rationalize" production and improve quality, Izurieta says. Some of his imports have come from Italy, others from the United States.

According to Izurieta, the advantage of the A.I.D. facility was its low collateral requirement of ten percent. Letter of credit arrangements in Ecuadorean banks frequently require prepayment in full--a requirement which Izurieta emphatically rejects. He feels the credit line should be promoted more energetically, as he judges that a great, unfilled demand for both short- and long-term credit exists in Ecuador. FINIBER is one of several banks with which Izurieta does business. He comments that using the A.I.D. guaranty facility has been very helpful to his business, but adds that the bank did not provide as much information regarding the line's objectives as he would have liked.

The Condecuero operation, with a reported $250,000 in fixed assets, consists not only of the shoe factory and store chain, but includes a tannery and shoe part factory as well. A visit to the main factory finds a dozen workers, three-fourths of them women, cutting leather from patterns or working at sewing machines. In a small loft above the factory floor, a designer cuts patterns for an upcoming line. Information on changes in styles and technology are provided to the company by Hush Puppies' headquarters in the United States. Condecuero managers also travel regularly to the U.S. for seminars on styles and marketing.

At present, the shoe market is stationary because of the recession, Izurieta reports. Nonetheless, a good publicity campaign has helped Condecuero to continue its steady growth. Izurieta cites in particular the contribution of the production manager of his Hush Puppies division, a woman he describes as the "linchpin" of the organization. Condecuero's payroll of 200 employees includes 160 women. In the company's accounting division, five of the seven employees are women, and in its computer division, four out of five. In the shoe store chain, 18 out of 20 employees are women.

Twenty to twenty-five percent of Condecuero's production goes to its own store, and the rest to 160 client throughout the country. Competition is substantial, both with Taiwanese imports and with several major Ecuadorean shoe factories. Izurieta describes the lack of liquidity and the "high cost of money" as constituting the prime problems of his business. The liquidity situation, he says, often prevents his clients from making their payments on time.

While clearly a shrewd businessman, Izurieta is also proud of his attention to employee relations. He reports that 70% of his employees have stayed with the company since its inception, and that there is very little absenteeism. According to Izurieta, his factory's efficiency equals 80% of that of American workers, as calculated by such measures as the number of pairs of shoes each worker produces per day. His factory averages 11 pairs per worker per day. A tour of the Condecuero factory grounds passes a field where some employees are playing soccer while others cheer them on, as part of the daily sports break.

INSTITUTO CIVIL AERONAUTICO S.A. (ICARO)

Loan Amount: $250,000

Purpose: Purchase airplane

ICARO was begun initially in 1971 as a pilot training school but for many years has been an air taxi business. The majority shareholder and general manager, Captain Guido Saltos, left the Ecuadorean Air Force in order to form this company. Twenty percent of the initial founders are still owners. ICARO owns airplanes and helicopters primarily for serving companies such as ESSO, British Petroleum, CGG, GEOSUR, TEXCRO, Occidental Petroleum and other mining and petroleum companies with operations in remote locations. In addition, Mr. Saltos finds growing demand for executive and tourist travel. Topographic studies are an important part of ICARO's business in addition to taxi service. Competition is not a problem for ICARO as the demand is growing and its service is very highly regarded. Loans from FINIBER have permitted ICARO to purchase turbo aircraft rather than the piston aircraft used by its competitors.

Growth is so rapid that ICARO may request other L/Cs from FINIBER shortly. Sales are now $500,000 per year, up from $300,000 in 1985. Mr. Saltos speaks very highly of FINIBER, saying that FINIBER helped the company during very difficult times.

Mr. Saltos opened the most recent L/C with FINIBER to purchase a used Aerocommander aircraft in the United States. The Aerocommander caused a tremendous increase in sales and net employment generation of five -- two pilots and three mechanics. Nineteen full-time employees work at ICARO. Mr. Saltos feels he would not have been able to purchase the Aerocommander without FINIBER's help. ICARO has had no problem repaying the letter of credit due to its profitable growth.

MATELEC

Loan Amount: $50,901

Purpose: Purchase computers and telephone equipment

Matelec is an office automation equipment company growing at a very quick pace. Through an interview with the chief accountant, Gonzalo Sanchez, it was determined that sales grew from 30,000,000 sucres in 1984, to 200,000,000 sucres in 1987. Mataltec has six owners, with the principal founder holding 50% of the shares. There are now 41 full-time employees compared with 20 in 1984. Fixed assets are reported at less than US$50,000.

Matelec sells and installs office equipment and systems such as mini computers, printers, telex machines, office switchboards and other related high technology equipment. The founder actively manages the company, borrowing on his U.S. electronic engineering degree and previous experience as a department manager for IETEL, the Ecuadorean Telephone Company. Matelec is oriented to the domestic market and normally buys its products in sucres from the local Japanese distributors. The company also purchases about 15% of its electronic equipment from Spain. This company is very profitable with annual finance costs running at around 10%.

Matelec prefers to use sucre loans and buy foreign goods for cash rather than using L/Cs. However, at points when Matelec has been fully leveraged or otherwise unable to raise the capital for its equipment purchases in Spain, FINIBER has opened L/Cs for the company, and approved a line of credit which Matelec uses to pay off the L/Cs. FINIBER was selected because of the total credit packages offered, not just for the A.I.D. guarantee facility.

Matelec is frequently choked for capital because a large proportion of its sales are on a credit basis. The A.I.D./FINIBER program permits the business to extend itself further than would otherwise be possible. Its market is small and medium size firms, but switchboards are usually sold to larger firms. Matelec also has close relationships with other financieras and commercial banks.

The principal owner of Matelec feels that competition is not a problem because demand grows at such a rapid rate. The only bottlenecks are financial leverage and delivering a high quality product.

CORPORACION ECUATORIANA DE ALUMINIO - (CEDAL)

Loan Amount: $101,526

Purpose: Purchase aluminum ingots

CEDAL was formed in 1975 by 16 owners; the principal was Luis Gomez. CEDAL is an aluminum extruder begun with a US$ 400,000 start-up, which was used primarily for the purchase of a used extrusion plant in the United States. A U.S. company was expanding production through the purchase of a new plant, and sold its original.

Start-up was accomplished through US$ 40,000 paid-in owners' capital and a US$ 360,000 long-term loan from COFIEC. CEDAL now has 35 owners and is still actively managed by its founder and principal shareholder, Luis Gomez. CEDAL has control of 50% of the Ecuadorean aluminum market and reports that its niche is secure because of its superior product quality. Approximately 20% of sales are from exports to Colombia.

CEDAL's production has resulted in significant import substitution, since Ecuador previously imported extruded aluminum from the United States. Total sales for 1986 were US$5,000,000. Fixed assets are reported at US$ 1.4 million. Employees now total 130.

CEDAL is an old client of FINIBER's and used the guarantee facility for a US$ 200,000 L/C to purchase aluminum ingots and other raw materials from Brazil. CEDAL canceled the letter according to its 120 day terms with a cash payment. This L/C represents only one month's production for CEDAL. The old company is a "veteran" in the international arena, and has found better credit sources for its monthly US$ 200,000 raw materials order. It continues to do business with FINIBER, but has not opened another letter of credit through the A.I.D. guarantee facility. Financial costs are only 4.5% of sales, which suggests a low level of financial leverage for this very stable and profitable company. CEDAL reports a 15% gross margin on sales.

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CORTYVIS

Loan Amount: $73,050

Purpose: Purchase a generator, fabric dyeing machine, and artificial fibers

Sigfried Tieber has worked in textiles all of his professional life. He started out running a small business in Nicaragua, moved to Costa Rica, and then to Colombia. Ten years ago he bought into an Ecuadorean textile manufacturing business, TEXPAC, which he and his partners sold in 1983. At this point, Tieber independently opened CORTYVIS, which is the largest producer of curtains and sheers in Ecuador. Cortyvis manufactures natural and synthetic threads which are then woven into 24 different styles of draperies and 30 styles of sheers. In addition to being an effective manager, Tieber has an aesthetic flair and designs all of the woven patterned sheers in his line. All draperies are sold domestically, and after only four years of operation, they have captured 50% of the national market.

Tieber says that his rise to success can be attributed in part to his high demand for quality and efficiency, and his use of the latest technology in weaving. "Other companies produce draperies, but they do it on the side, use old machinery and repeat the same old styles", he explained. "There is no other machinery of this kind in the country. I am proud to say that in four years of business, we have never received one complaint." CORTYVIS was approached by Bayer, Inc. and given a license to produce the synthetic fabrics which Bayer markets in Ecuador. Bayer does all of Cortyvis' advertising free. This involves mostly magazine spots and occasional television and radio promotions.

The following figures reflect the solid growth of Cortyvis over the last three years:

	1984	1985	1986
ANNUAL SALES	$297,980	$530,300	$1,212,120
FIXED ASSETS (w/o buildings land)	$ 37,878	$863,640	$913,140

FINIBER approached CORTYVIS and offered a variety of credit programs, as well as a two-year credit line to cover 100% of the value of the letter of credit, with no 10% cash collateral required. Tieber described this "courting" as a common occurrence, since there are many banks and financieras, and too few clients. As a shareholder in TEXPAC, he had established an excellent credit relationship with COFIEC (Corporacion Financiera Ecuatoriana) and remarked that, "In all of my years of dealing with the banks, I have never made one late payment". When asked to comment on the under utilization of letter of credit facilities in Ecuador, Tieber quoted a recent article in El Comercio which stated that in the last twelve years, Ecuador has used only 37% of the credit made available by the United States. "There is plenty of money around", he said. "It's just that interest rates and commissions are so high that businessmen would rather make direct import arrangements without the credit".

ROSINVAR

Loan Amount: $60,000

Purpose: Purchase rose bushes

During the past four to five years, Ecuadorean entrepreneurs have discovered a new export commodity which capitalizes on the country's temperate year-round climate. Hoping to emulate the success of neighboring Colombia in flower exports, a number of Ecuadoreans are experimenting with the cultivation of roses for export. By mid-1987, eight to ten rose plantations had been established in the valleys north of Quito.

One of the newer additions to this fledgling market is Rosinvar, the brainchild of engineer Gustavo Penaherrera and his three partners. The partners, two of whom are economists and two mechanical engineers, are all present and past employees of the Ecuadorean National Finance Corporation (CFN). Each had ten years of experience in planning financing for other businessmen's projects for the CFN. Finally, they decided to put this experience to work in setting up their own rose cultivation and export business.

The four partners studied their investment options carefully before choosing the rose project. "We analyzed the country's comparative advantage," Penaherrera recounted. "With only one climate, we had the possibility of year-round production. Besides that, we had the advantages of available labor and inexpensive land." In addition, their work in the CFN had made the partners well aware of the country's urgent need to promote businesses which generate foreign exchange.

Penaherrera and his partners used the A.I.D. letter of credit to cover imports of rose bushes from Israel, which constituted the initial planting and the start-up of their business. Rosinvar received the letter of credit in October 1986, obtained its shipment of rosebushes from Israel in December, and began selling flowers in May 1987. By mid-August, Rosinvar had a payroll of fifteen workers, including eight women.

Rosinvar's owners resorted to the PRE letter of credit as a means of bridging an extensive period of delays in receiving a loan through the A.I.D. Mission. The letter was arranged within a week, which contrasted with months of waiting for the Mission loan. They termed their experience with the letter of credit very good, although they were unaware at the time that the letter was guaranteed by A.I.D.

The Rosinvar plantation, located an hour north of Quito, consists of 1.5 hectares and 90,000 rosebushes. Ninety percent of the roses are sold to flower brokers in New York and Los Angeles; the rest are sold within Ecuador. The partners are planning an expansion to two hectares which will contain 20,000 additional plants. Aside from its 1.5 acre greenhouse, the Rosinvar operation consists of refrigeration chambers, a classification room, a drip irrigation system and a fertilization system with a high pressure portable pump. Rosinvar's growing methods were largely learned from its Israeli suppliers. The partners acquired a new method of planting from the Israelis, which involves covering the bushes' roots with water. This forces air out of the soil so that air pockets do not damage the roots.

Rosinvar's harvesting process begins with cutting the roses and discarding any bad buds. The roses are then taken to the classification room where any imperfect petals are removed. The roses are washed and classified by stem length, from 70 to 90 centimeters. After classification, the buds are wrapped in plastic and boxed in units of 25. They are taken to the refrigeration chamber, placed in pre-chilled boxes and transported to the airport. Rosinvar sends two or three shipments, each consisting of 20 to 30 boxes, to the U.S. each week.

Penaherrera and his partners hope to initiate export to Europe, and are discussing the possibility of a package deal with other growers in Ecuador. "We don't really compete with other Ecuadorean growers," Penaherrera reports. "Our real competition comes from Colombia and Holland. The growers in Ecuador help each other a lot." Ecuadorean rose producers pool information, marketing tips and plans through two associations, one composed of flower cultivators and one of exporters.

Penaherrera reports that business is good. "Our flowers are of excellent quality, and we expect good harvests for next year, especially in winter." They look forward with particular anticipation to the big Valentine's Day flower-buying splurge in the United States.

Rosinvar's owners find that their biggest problem is international transport. They use Ecuatoriana Airlines, which has only one cargo plane. "That's where we compete -- with shrimp!" Penaherrera jokingly complains. He adds that the growers' association hopes to arrange for a plane to be used exclusively for flower exports. Other problems are posed by import tariffs and other barriers to the entry of their flowers into the United States.

While he terms Rosinvar's experience with the A.I.D. letter of credit facility "very good," Penaherrera hopes the necessity of using it again will not arise. He cites the risk of fluctuations in the exchange rate over the six-month period of a letter of credit. Rosinvar's owners hope to forego the use of credit in the future and use the company's own revenues as their main source of foreign exchange.

PALMERAS DE LOS ANDES

Loan Amount: $32,500

Purpose: To import African palm starts

Solomon Gutt is the embodiment of many of the personal characteristics one associates with successful businessmen. He is cool, intelligent, big-thinking, and extremely cautious in revealing information regarding his business. Gutt arrived from his native Colombia in 1972 to expand the family palm oil business to Ecuador. The initial start-up consisted of 1000 hectares of cultivation and an oil extractor. Since then, Palmeras de los Andes has constantly grown and expanded. Today he has 7,000 hectares of palm, and five separate businesses involved in extraction, refining, marketing and sales, and distribution. The ownership of the company is shared by Gutt and 15 shareholders.

Palm oil and palm kernel oil are produced, which are either refined and sold as oil, or made into shortening, margarine, or soap. All products are consumed domestically. Sales last year were between $35 and $40 million. There are approximately 200 palm oil producers in Ecuador and Gutt places his firm among the top five. An equilibrium has been reached where all that is produced is consumed, so there is little competition per se, and "producers treat one another as colleagues", according to Gutt. There is significant competition, however, in the market for finished products, where twelve "very well run" businesses are in contention.

Fixed assets for the Palmeras de los Andes operation are $2.5 million and are estimated at $50 million for Gutt's total operation. He employs over 2,000 people, predominantly men. His interpretation of Ecuadorean labor law is that the legislation opposes the employment of women in agriculture.

Gutt expressed concern over government regulation of private sector activities in Ecuador, which is exacerbated by the fact that palm oil projects are very long-term (up to ten years). "It takes a minimum of five years to realize profit from a plant, during which time one is constantly threatened by price freezes, changes in laws governing land ownership and labor, and currency devaluations. At this point, I should have about 500,000 hectares under cultivation, but the government is constantly intervening and threatening to expropriate."

126

INDUSTRIAS DACAR

Loan amount: $25,000

Purpose: Purchase machinery

In the midst of a grimy battery factory, Azucena Danin looks out of place as she moves about in her white pumps and elegant dress. After a brief conversation, one quickly realizes that she possesses the brains and determination in this working couple, who are the owners of Industrias Dakar. Twenty six years ago, Carlos started a very small business importing battery plates, oxides and other materials to produce components for battery manufacturers. A dozen years ago, after considerable prodding, Carlos relented and allowed Azucena to become involved in the business, as Administrative Manager. Since then, Industrias Dacar has grown considerably. They now produce car, truck, and boat batteries, and have about a 15% share of the national market. "We may be a small producer, but we are first in quality," claims Carlos. Selling battery plates to other manufacturers still represents about one-third of total sales, which reached $450,000 in 1986.

In the national market, their biggest obstacle is the mentality that whatever is foreign is better. "We've just got to work a lot harder to win people's faith", laments Azucena. Word of mouth is their best form of advertising. A large share of the market is controlled by LUX, which distributes Bosch in Ecuador. EXDI, Inc. is a close second with Willard batteries. Beyond this, there are three other battery manufacturers of roughly the same size as Dacar.

Industrias Dacar has expanded incrementally into adjacent shop space, and has reached a point where a relocation is necessary. Construction has begun on a new 10,000 square meter shop in an industrial park on the outskirts of Guayaquil. This has restricted the company's capital, along with the non-availability of credit for importing production materials. At times this paralyzes production, and has been a major impediment to increasing sales. "We sell all that we produce, and not infrequently have gotten tied up when we were short of capital to import materials", Carlos described. In response to this, eleven months ago they obtained start-up funds from FOPINAR (through FINIBER) to create OXIDEPLO, which will produce lead oxide both for their own use in battery manufacturing and for sale to other national producers.

Carlos and Azucena have received financing from Banco de Fomento (an A.I.D. financed low-cost business start-up loan), FINANQUIL and FINIBER (FOPINAR). They used the guarantee facility out of necessity -- it was the only line available to them at the time. They found it be an extremely costly credit alternative. A 2.48% commission plus additional charges is costly for a small business, according to Danin. There was a five month delay in manufacturing the electric accumulators they imported, so they were charged another 2.48%. In spite of financial constraints, Carlos and Azucena are optimistic about the future of their business.

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: THAI DANU BANK 940-0002.40
PURPOSE: Lend to SMSE's in rural areas, $2.35 Million

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE (000)	USE	JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT
Fresh Meat*	Pork Processing	N		D/E	$128	C/WC	30/4	New	M	Imported U.S. Equipment
A.P. Graphics	Printing	E		D	$25	E				New Technology
PIROJ	ProduceFarming	E	M/F	D	$1.5	I				
Bagen	Furniture Manufacturer	E	F	D/E	$113	WC			H	
Mong Tung	Orange Farm	E	M	D	$57	X	2			
Vipa*	Fish Farming	E	M/F	D	$114	X	20			
Chiengmai Benyen Ltd.*	Handicrafts Manufacturer	E	F	D/E	$128	X	50/25		M	Exports to Harrods/ /Bloomingdales
Jaifah*	Laquerware Manufacturer	N	F	D/E	$87	C/WC			M	
Siri Hotel	Hotel	N	M	D	$114	C/WC				
Vachira	Trade	E	M/F	D	$16	WC	4			
Kong Kalai	Poultry/Fish Farming	E	M	D	$137	WC	—			New Technology
Chang Silp	Trade	E		D	$32	WC				
Buniur	Fish	N	F	D	$11	I				
Thai Teera	Mine	E		D	$115	WC				
Tong Chai*	Produce Farming	E	M	D	$50	I				
Anchanee	Fish Farming	E	F	D	$12	C				
Thanalonkorn	Tangerine Production	E	M/F	D	$192	I/WC				

* Site visit report attached

As of December 1987

INSTITUTIONAL IMPACT

1. SMSE Lending - (not otherwise elegible) expanded.
2. Collateral Requirements - decreased.
3. Branch Lending - expanded with favorable public relations.
4. Employment - 1160 jobs created. (At half-way point 325 full-time and 255 part-time jobs had been created.)
5. Loans made based on business plans, financial projections and feasibility analysis.
6. Exports - increased.
7. Imports from U.S. - increased.

Use

C	= Construction		H	=	High
WC	= Working Capital		M	=	Medium
E	= Equipment		L	=	Low
I	= Inputs				
X	= Expansion				

1547 013/01
(3/81)

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: THAI DANU BANK 940-0002.43
PURPOSE: Lend to SMSE's in rural areas, $2.3C Million

BORROWER	TYPE OF BUSINESS	PROFILE OF LOANS AND BORROWERS: NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	DIRECT DEVELOPMENT IMPACT: JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT	INSTITUTIONAL IMPACT
Eamheng	Trade	E		D	$27	WC					
Tong Chai	Poultry Production	E	M	D	$19	WC					
Anan	Trade	N	M	D	$4	I					
Porn Thep	Trade	N	M	D	$6	I					
Visit	Vehicle Repair	E	M	D	$10	WC					
Yong Yudh	Producer	E	M	D/E	$15	X			M		
Praphan*	Grocery	N	M	D	$15	WC	8/4				
Sombat*	Food Processing	N	M	D	$50	X/WC	1				
Roung	Rice Mill	E		D	$23	WC					
Vimol*	Poultry Production	N	M	D	$46	C/WC					
Chiengmai	Mining	E		D	$30	WC					
Saemg	Rice Mill	E	M/F	D	$18	WC					
Youn	Livestock Production	N	M/F	D	$15	X/WC					
Sirirojanakul	Farming Trading	E	M	D	$15	WC	7				
Tavorn Rubber	Latex Processing	N		E	$152	X	7		H		
K.V. International	Housing Development	N		D	$57	WC					
Jacklaew	Service	E	M	D	$2	WC					
Northern Sian*	Lacquer Manufacturer	N	M/F	E	$76	WC	1		H		

* Site visit report attached

Use
C = Construction
WC = Working Capital
E = Equipment
I = Inputs
X = Expansion

H = High
M = Medium
L = Low

1547 013/01
(3/91)

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: THAI DANU BANK [illegible]

PURPOSE: Lend to SME's in rural areas, $2.35 Million

PROFILE OF LOANS AND BORROWERS							DIRECT DEVELOPMENT IMPACT				INSTITUTIONAL IMPACT
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT	
Vorathart	Chicken Farming	E	M/F	D	$.2	WC					
Vorathart	Chicken Farming	E	M/F	D	$2	WC					
Polpongrat	Fish Farming	N	F	D	$4	C	3				
Jaerphunpong*	Hotel	N	M	D	$31	C	5				
Boonyong	Restaurant	N	M/F	D	$4	C	4				
Pongsarn	Retail	N	M/F	D	$98	I	5				
Chienklang	Retail	E	M	D	$4	WC	3				
Wongaram	School	E	M/F	D	$2	WC	6				
Vichai	Retail	N	M/F	D	$79	C	10				
Charon	Retail	E	M	D	$10	I	4				
Maeteeaugkalakul*	Rice Mill	N	M	D	$8	C/WC	20				
Daenpuhrithum*	Food Processing/Biscuits	E	M	D	$117	WC	100/80				
Koraj, Ltd.	Rice Mill	E		D	$15	WC					
Karn Kasert Ltd.	Trading	E		D	$27	X					
Vachira	Trading	E	M/F	D	$3	WC	4				
Chiangmai Ltd.	Manufacturing	E		D/E	$391	C/WC	50		M		
Chiangmai Tour*	Hotel	N		D	$274	C	34	Not Operating			

Use

C = Construction		H = High	
WC = Working Capital		M = Medium	
E = Equipment		L = Low	
I = Inputs			
X = Expansion			

* Site visit report attached

1547-013/01
(3/91)

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: THAI DANU BANK 940-0062.40
PURPOSE: Lend to SMSE's in rural areas, $2.25 Million

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT
Siri Hotel Ltd.	Hotel	N		D	$39	X				
Chiangmai Lacquer	Manufacturing	E		D	$20	WC				
Tung	Farming	E	M	D	$20	WC	2			
Parinyawat*	Pork Production & Sausage Making	E	M	D	$15	X				
Somdulyawad			M/F		$12					
Lampang White Clay					$23					
Boonserm Dyehouse					$387					
Chalong Latex					$232					
Sirichinda			F		$39					
Pongsak Ngo			M		$77					
Chiengmai Tour		E			$155					
Guardmanee			M		$1					
Lertthamnongtham			M		$19					
Sukkaseem			M		$2					
Chiengmai Ltd.		E			$78	WC				
Chalong Latex		E			$128					

INSTITUTIONAL IMPACT

Use
C = Construction
WC = Working Capital
E = Equipment
I = Inputs
X = Expansion

H = High
M = Medium
L = Low

* Site visit report attached

1547 013/01
(3/91)

VIMOL ROUNGVITAYATIWAT

Loan Amount: $45,784

Purpose: Working capital

Mr. Vimol, who holds a BA in marketing from a Thai university, had been the manager of a rice mill. He is one of four brothers in a business-oriented family. Each of the brothers had been assisted by their family and bank loans to establish rice mills in the area.

Mr. Vimol was new to the chicken business, but aware of the fact that the area of Chachaeongsao was the traditional source of at least 20 percent of the egg consumption of Bangkok. He learned of the Thai Danu Bank loan program through a friend and former classmate who was employed at the bank's branch in the area. He and his family had maintained accounts with Thai Danu for a number of years.

Mr. Vimol saw a video on chicken farming produced by Charoen Phokapan Co., Ltd., (CP) a major feed company; CP subsequently provided advice and assistance through its extension agents to Mr. Vimol in developing his business plan.

Mr. Vimol applied for and received financing from Thai Danu in mid-1986 for the construction of hen houses, development of the land and pumping facilities. The loan was administered in tranches as the facilities were constructed. According to Mr. Vimol, his own (and his family's) investments into the business have equaled the amounts of the Thai Danu loans.

At the time of the study Mr. Vimol had four hen houses producing a total of 900 eggs per day and two buildings devoted to the raising of pullets as replacement stock. The original stock purchased was an American hybrid which had been developed through the cross-breeding of three varieties of chickens, leading to a species which produced the brown-shelled eggs desired in Bangkok markets.

Because of the linkage with his rice mill only one half mile away, Mr. Vimol is able to keep feed prices low. In addition, he has constructed fish ponds as part of the facilities; the ponds will eventually integrate recycling of chicken waste to feed the fish, which in turn will be processed into high quality chicken feed. His long range plans include the possible installation of egg drying operations and export marketing through a relative in the egg export business.

Mr. Vimol indicated that he approached Thai Danu, rather than his previous bank, Siam Commercial, because of the more favorable terms of the loan program. His loans are collateralized by land and buildings at between 99 and 120 per cent of value. This is substantially less than required in normal Thai banking practice.

Thai Danu regards Mr. Vimol as a capable and ambitious borrower who uses local technical extension services to the fullest extent. Despite some problems with price fluctuations in the market, he has had no difficulties in repaying the loan. The facilities are visited regularly by bank personnel. Mr. Vimol appears to be highly appreciative of these visits and indicated that he may apply for additional credit in the future.

Sales of the enterprise have increased from B688,800 in August 1986 to B1,200,000 as of March 87. The farm produces 900 eggs per day, which have a production cost of about B .80 per egg and current wholesale price of B1.10 per egg. Chickens are kept in production for around 52 weeks and then sold in the wholesale market, bringing additional income to the operation.

TONGCHAI NGO

Loan Amount: $49,607

Purpose: Purchase breeding stock

Mr. Tongchai, whose family has many businesses in the Chonburi area, assisted his father for several years in the family's chicken and pig raising enterprise. Upon hearing of the availability of a new breed of pig which produced more meat per kilo than local varieties, he opened discussions with the local supplier of this new breed. The breeder, who was a customer of Thai Danu Bank, suggested to Tongchai that he contact Thai Danu to obtain a loan to purchase more of the new breeding stock. Although his family had previously received financing from the Thai Farmers Bank for construction of buildings and for their chicken raising operations, Mr. Tongchai was attracted to the terms and timeliness of the Thai Danu program.

With substantial assets in land and buildings available, and a past record of successful chicken and pig raising, Mr. Tongchai had no trouble in providing enough collateral in support of his loan application. The loan was quickly approved and its disbursement was tied to the purchase of individual breeding pigs.

Tongchai was aware of the competition from both small and large pig growing operations in the Chonburi area and expected the improved quality of his stock to help the family increase its share of the market. His younger brother was hired to run the pig raising portion of the family enterprise, and was given training from a veterinarian with a private practice in the area.

The Tongchai compound in Chonburi is crammed with chicken and pig production facilities, in addition to a small mill and mechanical repair garage. An attractive family house is part of the complex.

The pig raising facilities are well-maintained, with breeding schedules and other records kept in plastic envelopes at each stall. The introduction of the new breed was taking place at a rapid pace, with eight to ten new sows nursing nine to eleven piglets each, and at least twelve somnolent females waiting to have their litters. Four massive male breed hogs appeared to be relaxing in the relative luxury afforded them for a job well done.

Although hoof and mouth and other porcine diseases are a threat to the enterprise, veterinary services are readily available in the area, and the family's careful maintenance of the farm reduces the risks of these endemic diseases.

Given a substantial prior history of chicken and pig production in the area (the family has a retail outlet for some of its egg production) the marketing arrangements were already in place at the time of the loan. Although the wholesale price of pigs fluctuates somewhat, the price at the time of our visit was B27 per kilogram, compared to an estimated production cost of B18 per kilogram. The pigs are marketed when they reach 100 kilograms of weight, and the facility produces approximately 200 pigs per month for the market.

With the improved pig production well underway, Mr. Tongchai is in the initial phases of starting a dairy farm, and will almost certainly be approaching Thai Danu for future assistance in financing.

CHANGMAI INTAMOND TOUR COMPANY, LTD.

Loan Amount: $272,056

Purpose: Construct tourist hotel

Rachan Veeraphan, Managing Director of Intanond Tour Company is a little uneasy. Heavy rains have delayed progress in construction of his 67 room hotel which is due to open within two months, and has been fully booked as of its opening. The Thai Danu loan officer and the construction contractor are both on the scene to inspect the work and decide if the next tranche of the loan can be paid.

Rachan, age 36, received his MA in political science from an American university. He is president of the Chiang Mai Tourism Business Association, Vice President of the Chiang Mai Chamber of Commerce, and has been elected to a position in local government. His hotel venture is a further step in his tourism business, begun eight years ago. His wife also has 10 years of experience managing the Chiang Mai branch of World Travel Service which is located in one of local first class hotels. Rachan says this competition is friendly. As is usually the case in Thailand, management of the ongoing tourism businesses is in the hands of family members.

Although Rachan borrowed from the Bangkok Bank initially to start his tourism business, he became a customer of Thai Danu as soon as they established a branch in Chiang Mai, feeling that he would receive better service from a smaller bank. He learned from a seminar conducted by Thai Danu of the existence of the PRE-supported loan program. While his major reason for joining the program was his already existing relationship with Thai Danu Bank, he also found the interest rate available at the time more attractive at about .75 percent less than the competition.

Based on land and buildings valued at approximately B17 million, Rachan borrowed B7 million initially intending to construct a "guest house" style hotel for the low budget tourism trade. In the course of construction, however, further market studies found a vacuum in tourism facilities in Chiang Mai between second class hotels and low cost guest houses. The original concept was revised to include air conditioning and carpets in the rooms, a large meeting room, and four of the rooms designed to accommodate low-budget minivan tour groups. Rachan presents a strong case that the redesigned facilities will promote year-round rather than seasonal occupancy by providing lower cost accommodations and meeting rooms for seminars. Off-season rates will be tied to government allowances.

In order to complete the hotel as redesigned, Rachan has applied for an additional B3 million loan which was submitted to the Thai Danu Bank head office for approval.

Tourism is a booming industry in Chiang Mai, with all classes of hotels fully booked for the upcoming season beginning in October/November. When completed the hotel will have 67 rooms, a restaurant, a meeting room and small swimming pool. An estimated 100 employees will be hired locally. Rachan's cash flow projections, which were examined by the Thai Danu Bank Chiang Mai Branch, indicate that the loan could be paid off within six years at an occupancy rate of only 50 percent. This rate is substantially below the consistent industry average of 70 percent occupancy in Chiang Mai hotels and guest houses.

Although somewhat concerned about construction delays, and anxious to hear of Thai Danu Bank's response to his latest applications for additional financing, Mr. Rachan is confident of the future success of his latest venture. His previous track record in business would seem to justify this confidence.

NORTHERN SIAM SEEDLAC COMPANY

Loan Amount: $76,307

Purpose: Overdraft for purchase of raw materials

Located in Lampang, in north central Thailand, Northern Siam Seedlac is engaged in the large-scale, modern processing of "ki-krang," a natural resin base for paint. This process involves a unique combination of nature and machinery that has a long history in Thailand's rural areas.

The raw material for seedlac is made by a tiny insect, the "krang", that lives among the thin branches of the "monkey pod" tree. The insect feeds on the sap of the tree and deposits its waste in the form of a sticky black residue around the outside of the twig. These deposits are harvested by peasants in rural areas as far as 300 kilometers from Lampang and sold through middlemen to processing plants. At the plant the twigs are put through a grinder which separates the insect product from the twig. The residue then goes through washing cylinders where it is further broken down and then dried in the sun. The result of the process is a chunky brown crystalline powder that is used as a resin base for lacquer paint.

Northern Siam Seedlac is one of about eight processing factories in Thailand, five of which are located in the Lampang area. According to its owners, it is the second largest plant in Thailand, with a production capacity of between 10 and 12 million kilograms per year. The production cycle is seasonal over a seven month period starting after the monsoons in October.

Northern Siam Seedlac is a family business, reaching its present state after more than 40 years as a growing cottage industry. The factory itself has only been open for one year. Management responsibilities are divided between the mother, Somchit Satchachai, 69, who is responsible for raw materials purchases, and the son Chaisi, 44, who handles sales. Processing operations are supervised by a salaried factory manager. Sales are almost exclusively to Japan with the product being shipped to Bangkok for export. The company has an export quota of 10,000 bags (approximately 800,000 kilograms) per year. As of September 1987, the company was holding approximately 2,400 bags from the previous year's production. This inventory, valued at between 5.4 and 7.7 million Bhat, was not marketed because of low prices at the end of the previous production cycle.

The factory itself was idle, but construction of a small paint factory was underway. This facility will reprocess the waste water from the main factory into powder which can be used as a paint base.

According to long time residents of the area, "krang" production has decreased significantly within the last decade. This decrease is due in large part to extensive harvesting of the monkey pod tree for use in the handicrafts industry. Its relatively soft light-weight wood is used for carving of antique reproductions which are a major tourism and export item.

Northern Siam Seedlac is engaged in technical activities aimed at insuring a continuing supply of their raw material. These involve genetic selection of high producing insects and experimenting with other tree species. Results from the latter have not been encouraging.

The construction of the factory was financed by a B5 million loan from the Industrial Finance Corporation of Thailand and B7 million of the family's resources. Land and building was used as security for the overdraft facility from Thai Danu which was issued in the name of the son, Chaisi, and co-signed by his sister and brother-in-law, both medical doctors. According to the loan officer of the Thai Danu branch in Lampang (the oldest branch outside of Bangkok) the overdraft facility was used frequently, particularly during the period of production, for purchase of raw materials.

When in full production the factory employs up to 70 people; approximately half of them are women. Mrs. Somchit indicated that most purchases of raw materials were from five large middlemen who supplied all of the factories in the area. Some small-scale suppliers in the immediate surrounding area came directly to the factory to sell the raw product. A factory association meets at the beginning of every season to agree on a fixed raw materials price. While reluctant to estimate the number of rural people engaged in harvesting and sales to the middlemen, company personnel indicated that a few thousand people are involved.

PRAPHAN SUKSUPTHAWORN

Loan Amount: $15,396

Purpose: Purchase retail stall in market

Praphan, 31, started his fish salting and preserving business at the age of 19 in his family home. The fish are caught locally only during a two month period after the monsoon season. Praphan started this cottage industry with his own money and quickly found that the demand for his pungent fish paste, considered a rare delicacy in Thailand, was much higher than he had anticipated. Soon his whole family was involved in production and this formed the basis for his expansion into several other businesses.

Confident of a continuing market for his basic product, and an assured supply from his family, he decided to move to Chiang Mai with his family and open a retail facility.

He found a prime corner location in Chiang Mai's largest market building and set up a food store. His long term rights to the location were based on an agreement between himself and the owner of the market building. His business growth was satisfactory, but when the season for fish paste production came around he was short of cash, and he had to secure an overdraft facility from the Bangkok Commercial Bank to supply his production.

Praphan's businesses grew steadily for the next five years after this initial working capital crisis. He had his wife and his mother employed and his daughters were getting to the age where they were also able to help, keeping his stall open from early morning to late at night.

When another corner stall became available, a stall with modern floor-to-ceiling glass cases, Praphan decided to expand and, at the same time, move into higher value and higher return products. He needed a loan to secure the second stall on a long term basis. He had found the overdraft arrangement bothersome because of its variable interest rate, and went to Thai Danu Bank where he received a sympathetic reception.

His steady growth in business made him a good customer in Thai Danu Bank's eyes but he had only his long term lease arrangement to offer as collateral. In normal Thai fashion, this agreement was not in writing. Thai Danu Bank obtained a written commitment from the market owner and, with this long term lease agreement as collateral, loaned Praphan the funds necessary to expand his business.

The loan enabled him to double his retail business. He was able to obtain a used refrigerator and offer butter, sausages, ice cream and other products previously not available in this market area. His permanent work-force doubled to 8 persons, half of whom are women. During the fish salting and processing season, for about 3 months, his mother hires an additional 8 workers, and supervises the original business while Praphan manages the retail enterprises.

Praphan has never experienced difficulties in paying the loan, but he finds that his overhead costs, particularly for electricity, are more than he had expected. Sales are somewhat irregular, peaking during the winter marriage season. His sales of refrigerated products are a major source of income, so he would like to have a larger freezer to take better advantage of his market. He will probably invest in a larger fridge after the next fish processing season. Praphan feels he is a major innovator in the Chiang Mai central market and knows that he must keep ahead of his potential competitors.

142

CHAIMG MAI BANYEN COMPANY, LTD.

Loan Amount: $129,178

Purpose: Working Capital

Ms. Boonyaluk Aksornsri, 27, with a Bachelor's degree from the University of Thailand, is the manager of the Chiang Mai Banyen Company complex crammed into a compound in downtown Chiang Mai.

Boonyaluk shows us through a seemingly endless maze of traditional Thai buildings which, if they are not filled with row upon row of wood-carved antique reproductions awaiting finishing by the company's crew of sanders and painters, contain scattered samples of antique carvings saved from temples and other buildings around the country.

Most of her conversation, however, deals with her mother. Two rooms of the museum area of their complex, is devoted to her mother. Her progress from vegetable seller to major landholder and handicraft retailer is memorialized in photos, artifacts and the ancient bicycle with its baskets that she used for food deliveries when she started in business 25 years ago.

Boonyaluk helped her mother in food and clothing sales for many years, and began running the company herself at the age of 22. Business has been booming, and their products have been gaining national exposure through trade fairs. It is among a limited number of Thai companies that participated in a major trade fair in Frankfort, Germany. More recently, Boonyaluk informs us, they received a visit from the gift department of Bloomingdales department store, and were asked to provide products for a special promotion of Thai products. They received orders for about 100 different categories of pieces. They have also been featured in the Harrods department store in London.

The company borrowed previously from the Union Bank of Thailand and Bangkok Bank but recently consolidated their borrowings through Thai Danu Bank. Although the holdings in land and buildings accumulated through time by the mother were substantial, Thai Danu Bank carefully checked income statements and tax receipts against invoices, and required a formal marketing plan from the company. When asked why she chose Thai Danu, Boonyaluk says with a big grin, "I love them."

Thirty percent of the company's loans have been used for buildings and the remainder to provide working capital and reserves of stocks.

The company buys wood and gives it to village workers throughout the area. At any one time, Boonyaluk says, they may have up to 250 people working full time on woodcarving, their primary activity. As one would expect in this company, over 50 percent of the employees are women. At this point in August production is at a peak level, with shipments worth 3 million bhat due to go out during each of the upcoming three months before Christmas. Production problems are significant, says Boonyaluk, because many of their village workers are also farmers whose main interest is in planting their crops during the monsoon season.

Sales have risen rapidly for Chiang Mai Banyen. From 3 to 4 million bhat 3 years ago to 8 million last year. Boonyaluk says that she expects no less than 12 million through this year because of all the orders she has been receiving. Although they are firmly entrenched in the antique reproduction market, they face strong competition from other countries in the region in other product lines, including furniture.

Although Boonyaluk foresees no difficulties in meeting their credit obligations, she says that obtaining working capital on the basis of letters of credit from buyers is a slow process, and having sufficient working capital reserves is crucial in assuring timely delivery within the expiry date limitations of each order. Her family's relationship with Thai Danu Bank has been very good, however, as shown by the fact that the bank president took time to talk to Bloomingdales' officials during his recent trip to the U.S. as part of a Thai delegation.

FRESH MEAT PROCESSING COMPANY, LTD.

Loan Amount: $227,964

Purpose: Finance food processing facility

Until Fresh Meat Processing Company (FMC) began operating virtually all fresh pork in Thailand was processed by traditional butchers. In 1985 three employees of Thailand's largest agricultural conglomerate, Charoen Phokapan Company, decided to set up a modern and hygienic pork packing factory, with hopes of exporting vacuum packed meat to nearby Hong Kong, Singapore, and Japan. The three partners formed a limited company, put up B500,000 ($19,546.) each, and raised another B3.5 million ($136,826.) from limited partners. They hired a professor of food science at a local university as a technical consultant, and drew up plans for the 16 ton per day processing facility. The company had as limited partners the owners of the Pathom Farm Company, a 20,000 head pig farm located 25 kilometers from FMC. Thailand has had major problems exporting pork in the past because of endemic hoof and mouth disease: the Pathom Farm has been certified free of hoof and mouth disease by the Thailand Department of Livestock Development and thus offers an excellent source of high quality hybrid stock pork for FMC.

Thai Danu Bank supplied an additional $113,981.76 as a loan and $113,981.76 as an overdraft to complete the FMC start up financing package. The Thai Danu Bank loan was made against collateral worth about 100 percent of the loan; this is one of the largest loan to collateral ratios offered by Thai Danu Bank under the A.I.D. guarantee facility.

FMC constructed the plant according to their consultant's design, using chilling facilities and hygienic cutting and handling equipment throughout the process. The plant is extremely clean looking, with all of the workers wearing white uniforms and high rubber boots. The plant's equipment includes a bandsaw, a scale and epoxy-sealed floors from the U.S., a German chilling machine, but almost all other equipment was fabricated locally using designs from the USDA Food Safety and Quality Service, Agriculture Handbook #570 as a guide.

The FMC plant currently produces about eight metric tons per day, which is about one half of capacity. It employs about 30 employees, four of whom are women. The main difficulty that they face is erratic supplies from the government slaughterhouse which often does not deliver on time, and according to reports, is corrupt and uncooperative in meeting FMC's quality standards. FMC has orders from Hong Kong and Singapore, and wants to set up its own slaughtering facilities to get around its slaughter supply problems and meet these orders. FMC management have asked Thai Danu Bank for additional funds to cover the new investment needed for the slaughterhouse project, but thus far Thai Danu Bank has been reluctant to extend more money to this pioneer business.

SOMBAT SUKKLINHOUM

Loan Amount: $50,038

Purpose: Acquire property for business location

Mr. Sombat and his wife run two businesses on their three acre plot of land in the small northeastern city of Nakorn Rachasima. They buy small pacific mackerel in Bangkok, boil them in traditional woven baskets and then sell them in the northeast, where these preserved fish are prized for their flavor and iodine content. Their second business is buying coconuts in the south of Thailand where coconuts are produced and selling them in the northeast.

The fish preserving operation is a traditional one using a brick oven, a large iron kettle and palm leaf baskets. Altogether they process about 12 metric tons of fish a month which they sell to regional wholesale distributors and local retailers. They also distribute about 150,000 coconuts each month through wholesalers.

The couple have been in the fish processing business for over nine years, and have traded coconuts for over four. Before this they ran an auto repair garage.

They run their operations on a spacious parcel of land near the center of the city. Recently the owner of the land told them that he had to sell the parcel, and would sell to someone else if Mr. Sombat could not come up with the money. Mr. Sombat approached the Thai Danu Bank because he had heard about the favorable terms available under the "A.I.D. Program." Mr. Sombat was granted a $46,198 loan to purchase the land; this was against collateral valued at 200 percent of the loan. Thai Danu Bank also gave them a $3,849 overdraft account that they use to buy fish and coconuts. Although Mr. and Mrs. Sombat had checking and savings accounts with other banks, this was their first loan from a commercial bank.

Mrs. Sombat, who looks after the fish operations, feels that now that they have the security of owning their own land they can make plans to expand their businesses. They would like to build a dormitory for their workers and to purchase a coconut plantation in the future. This seems to the Thai Danu Bank branch manager to be a reasonable expectation given that their operations net between $1500 and $2000 per month.

THEERASAK MAETEEAUGKALAKUL

Loan Amount: $46,912

Purpose: Construct new facility

The Maeteeaugkalakul family operate a rice mill in the provincial capital Nakorn Rachasima. Theirs was the first mechanized mill in the northeast and it has established such a large clientele that the family cannot keep up with demand now, even though several smaller mills have been set up in town in the last few years. They currently produce rice flour used as the main ingredient in locally-popular Chinese sweets. They also produce sticky rice and Cacorise, a baby food made from brown rice flour.

The plant is cramped and dark, with stocks and machines filling every available foot of space. Workers have to jump over piles of rice and empty bags to get anywhere past the entry threshold of the factory. All of the equipment is at least a decade old, and much of it several decades old.

With demand for their products at a sustained high level relative to their capacity they began looking for ways to both increase capacity and to meet the rising local competition. They contracted a Thai engineer as a consultant to design several machines for a larger plant. At the same time they gave their plans for the building and capital requirements to Thai Danu Bank and requested a B1.5 million ($39,093) loan for construction of the new facility, and an overdraft account of B200,000 ($7,818) for working capital. The loan and overdraft amount was granted; the total amount was 80-85 percent of the value of the land and building which they offered as collateral; this is much less collateral than Thai Danu Bank is usually willing to accept.

At around this time the consultant, who had become very friendly with the family, also offered to design the entire new rice mill and to include in it the design for a liquid rice flour process. Liquid rice flour is used as an ingredient in sweets; this liquid flour process would be the first in the northeast, and promised the family an opportunity to meet the growing competition from other small mills. The family went ahead with construction of these plans, which were substantially larger than the original plans approved by Thai Danu Bank.

After the shell of the building was complete and most of the major equipment was purchased, money ran out. To complete the new plant the family asked for a B3.5 million ($136,825) loan from the Industrial Finance Corporation of Thailand (IFCT), which was granted. The family is proceeding with construction, has retired its loan with Thai Danu Bank, and so far has the building nearly complete and is beginning to assemble and install the equipment. As seems common in small-and medium-scale industries in Thailand, the family is having most of the necessary

149

equipment fabricated on site according to their own specifications. Very little ready made or imported equipment will be used in order to reduce capital costs and to ensure that the family controls the production processes.

Mr. Teerasak says that they are still waiting for disbursement of the loan from IFCT and will complete construction as soon as they start getting the money. They currently produce three metric tons of rice flour per day in their old plant and hope to retire the old plant and produce about 20 tons a day in the new one, when it comes on line this winter. Until the new loan becomes available they will continue construction using their current monthly profit from the old plant of B55,000 ($2,150).

TONGCHAI KONGKALAI

Loan Amount: $136,826

Purpose: Construct fish and chicken production facilities

After working with Charoen Phokapan Company (CP), Thailand's largest agricultural conglomerate, for over half a decade Mr. Tongchai quit his job to set up his own farm. With a BS in agriculture and several years of experience as the local CP Regional Manager Mr. Tongchai had a clear idea of how to establish a business that operated both more efficiently and produced higher quality chickens than the surrounding chicken farms.

Mr. Tongchai had done business with Thai Danu Bank but had never borrowed money before. He submitted a business plan to construct ponds and chicken houses on land he had already bought, and asked for a B3.5 million ($136,826.) loan. Thai Danu gave the plan to their agricultural credit expert for review and subsequently offered Mr. Tongchai B3 million ($117,279.). Mr. Tongchai accepted the loan, agreed to put up an additional B500,000 himself for land development, and was granted an additional B500,000 overdraft line with the bank.

The farm is a model of imaginative design. There are six ponds of about 4.5 acres each in size. Built on hardwood stilts over each pond is a chicken house, each one large enough to comfortably house 15,000 chickens. The houses are built from locally available timber beams, palm thatch walls and roofs, and bamboo slat floors covered with a wire mesh. The thatched roof and closeness to the water help keep the chickens cool during Thailand's steamy summers. The bamboo floor has plenty of space between the slats to allow chicken droppings and spilled food to fall directly to the hungry yellow catfish and talapia which live in the pond below. The hen houses seem surprisingly fresh and clean; this is perhaps one reason why Mr. Tongchai's hens look plump and strong, and have a mortality rate of only 3.6 per 100 -- 1/3 of the rate common on neighboring farms. The chicks that Mr. Tongchai buys from CP are kept warm by ovens that burn scrap wood chips obtained locally for free; this is another of Mr. Tongchai's cost saving arrangements. Another advantage of Mr. Tongchai's farm design is that it maximizes output on his 33 acres; other local farms construct hen houses on land adjacent to their fish ponds.

Mr. Tongchai's farm has completed 1 1/2 years of operation, and things haven't gone quite as smoothly as was expected. Mr. Tongchai planned to produce six crops of 15,000 chickens per house each year, for a total output of 540,000 birds yearly. During the first year, however, only five crops could be produced because of a shortage of chicks. Fortunately the large agricultural company that sells chicks to Mr. Tongchai has assured him that he will be able to get all that he wants next year.

Because chicken production was slightly lower than expected, fish production has also been slower. Shortage of working capital has also forced Mr. Tongchai to economize by cutting back on fish feed, and so the 500,000 catfish and talapia in each of the six tanks have not grown as rapidly as expected. In addition, installation of electricity lines and other start up costs have made it difficult for Mr. Tongchai to keep up with his loan payments. Despite the fact that Thai Danu Bank's agricultural credit expert feels that Mr. Tongchai's financial picture will brighten by January of 1988, the Thai Danu credit department has refused to make additional loans and has urged Mr. Tongchai to use some of his father's resources to help him through this difficult start up phase. Thai Danu Bank has, however, renewed the B500,000 overdraft facility, and this has allowed him to stay current with his loan payments.

Gross profit for the first year of operation was B2,320,000 ($90,696); this is before deduction of interest and utilities. But after feed, chemicals, and labor expenses. Gross profits are reasonably expected to be B4,200,000 ($164,190) by the end of the second year. Given Mr. Tongchai's knowledge of the industry, his economically designed facilities and efficient operations, and his substantial second year gross profits Thai Danu officers are confident that they have funded a successful farm.

YONGYUDH PARINYAWAT

Loan Amount: $15,396.46

Purpose: Purchase land for factory expansion

Mr. and Mrs. Parinyawat operate a retail shop that is tidy, well organized, and stocked full of sausages hanging from the ceiling and heaped on trays atop display cases. Behind the shop is a 1200 square foot factory where workers sort meat, mix prepared meat with herbs and spices, fill casings to make sausages, and dry and smoke various sausage preparations. The equipment in the factory includes an eclectic mix of a West German meat grinder, an American Hobart saw and an American made oven, a Japanese video camera to monitor employees, and huge cast iron woks and palm leaf baskets to cook and dry the meat. Although Mrs. Parinyawat actually manages production in the factory, her husband takes pride in selecting equipment and techniques from Europe, and when we paid our visit she told us that Mr. Parinyawat was in Europe selecting equipment for their new plant. It is worth note that the Parinyawat factory, although they produce traditional Chinese styles of sausages, uses casings from West Germany because they are easier to work with and more hygienic than locally available casings. The Parinyawats also breed German Shepherd dogs for local sale.

The couple used to bank with the Siam Commercial Bank, but were approached by the local Thai Danu Bank branch manager to see if they needed a loan. The Parinyawat's sausage factory had a very good reputation in the region and could not keep up with current levels of demand. To meet this strong demand Mr. Parinyawat had wanted to modernize and expand production for some time; when the branch manager came to see him, Mr. Parinyawat requested a large loan, but Thai Danu Bank refused. Mr. Parinyawat subsequently visited the branch again and led the Thai Danu Bank staff on a tour of their old factory. Thai Danu Bank drew up an expansion plan that would be carried out in several phases, and a loan agreement for $15,196.46 to purchase the land needed for expansion. Collateral pledged was land worth $23,450, or just over 150 percent of the loan value. Arrangements for funds to construct the new factory and to purchase equipment would be worked out later.

The Parinyawat factory buys 2000 kilograms of pork per day worth about $3,284, and Mrs. Parinyawat estimates that they earn a profit of about $1,314 per day after labor costs but before paying utilities and interest expenses. Given the Parinyawat's robust earnings and excellent regional reputation Thai Danu Bank account officers are confident that future loans will be made to the Parinyawats so that they can build their new factory as planned.

PITICHAI DAENPUHRTTHUM

Loan Amount: $117,279

Purpose: Working capital during construction

Mr. Pitichai and his wife ran a small, dark and cramped biscuit making factory on the edge of a large town. With a 40 year old gas fired oven they produce sweet biscuits and cookies that are sold in rural areas. After seven years of operating this factory they had accumulated savings deposits in Thai Danu Bank of $390,930; their business was doing very well, and they were unable to keep up with demand for their products.

They hired a Malaysian consultant to design a new plant so that they could drastically expand production. Because they had a large amount of cash available for construction of the new plant Thai Danu Bank agreed to provide them with an overdraft facility for $117,279.12 to meet their working capital needs during this period of expansion. They pledged collateral, land and a building, valued at $261,923 or about 223 percent of the total overdraft facility.

Construction is proceeding as planned: the shell of the building is complete and the main ovens are in place. As in several previous cases examined on our trip to Thailand, capital was judiciously selected so that most equipment was purchased locally and assembled on-site. Only the metal chain-link conveyor belt (France), the mixing machine (Federal Republic of Germany), the gas valves (Italy), and the cloth conveyor belt (Japan) were imported. As part of the expansion program Mr. Pitichai will hire about 100 new employees, 80 percent of whom will be women.

The old factory produces about two metric tons of biscuits and cookies per day; when the new factory is complete it is expected to produce 10 tons a day working at 60 percent of its capacity. The owner estimates gross sales currently at $938,233 per year, and says that net profits are about 15 percent of gross sales, or $140,735 a year.

Given the high value of collateral pledged and the optimistic prospects for future income, Thai Danu Bank officers claim that they probably would have lent to Mr. Pitichai regardless of the A.I.D. Program.

VIPA LEUNGNARAMITCHAI

Loan Amount: $113,982

Purpose: Purchase land to build fish ponds

Mr. Manit Leungnaramitchai, Mrs. Vipa's husband, has been farming fresh water fish for over 20 years. Before the A.I.D. Guarantee Project loan he operated a total of 80 acres with 73 ponds on it, producing 7,000 metric tons of catfish, talapia, and serpent head fish per day. The 80 acres are rented from a member of the royal family; although the lease is only one year long, custom has it that he can stay for the indefinite future. Mr. Manit also owns several other businesses, including a supermarket, a fish mill, and a fleet of 10 deep sea fishing boats that operate off the coast of Thailand.

Mr. Manit receives the latest technical advice on fish farming from his brother who is a veterinarian, from Dr. Chen, who is a fisheries consultant from Taiwan, and from the agricultural conglomerate Charoen Phokapan Company, which supplies him with feed and antibiotics. Mr. Manit has a feed mill on his property that mixes cereal wastes, waste fish, and commercial fish food, and so he keeps feed costs substantially lower than other local farms.

Mr. Manit has been a Thai Danu Bank customer for 10 years, and is well known to the bank. His wife, who actively manages several of the couple's properties, applied for and was given a loan under the A.I.D. guarantee facility of $113,981.76. The proceeds were used to purchase 16 acres of new land on which Mr. Manit has built 28 ponds, all of which are currently producing fish. As a result of this new investment Mr. Manit projects production increases of between two and three metric tons per day, and the addition of 20 workers. The new land, financed by the Thai Danu Bank loan, looks tidy and already has a small fish feed mill constructed on it. A concrete water course channels water from a nearby river into the ponds, assuring that they can be refilled after each crop is harvested.

Altogether Mr. Manit has sales of fresh water fish from his 101 ponds of $2,111,024 per year, and he estimates profits of about $639,210 before interest expenses and taxes.

BUNCHOUB JEARPHUNPONG

Loan Amount: $31,274

Purpose: Purchase building for hotel

Mr. Bunchoub owns and operates several prosperous small businesses in the area of the provincial capital, Nakorn Rachasima. He runs a construction company that works primarily with government water works and road construction programs, he also has a crop wholesale company, and his most prosperous venture to date is his wholesale liquor business. His businesses are located in a small town 49 kilometers from Nakorn Rachasima.

There used to be four small hotels in Mr. Bunchoub's town, but the owners of two hotels died and their heirs have not kept the hotels running, while two others burned down within the last few years. With no hotels in town, businessmen, farmers and government officials visiting this agricultural center had to drive to Nakorn Rachasima to find a hotel. Mr. Bunchoub had been considering getting into the hotel business for years and decided that this was the right moment. He approached the local branch of the Thai Danu Bank with a proposal to convert one of this warehouses near the town's main street into a 30 room hotel. Thai Danu Bank reviewed the proposal and concluded that a loan should be given, citing as reasons the borrower's substantial property, ample net income from other businesses, and local monopoly in the hotel business for the next few years at least.

Thai Danu Bank gave Mr. Bunchoub a loan for $31,274.43 against collateral of the same value. Mr. Bunchoub used the loan plus $40,000. of his own money to renovate the warehouse into a hotel with 24 non air conditioned (non-a/c) and 3 a/c rooms. The hotel appears to have been constructed with economy in mind; fixtures are simple and basic.

Mr. Bunchoub estimates that his average occupancy rate is 75 percent and yearly gross revenues are $14,063. His estimated yearly revenues seem to be on the conservative side if his occupancy estimate is correct. Nevertheless, Mr. Bunchoub says that his hotel is making a good profit, and that he is seriously considering building another one with 100 rooms in the same town. Mr. Bunchoub claims that he has had no difficulty servicing the loan with income from his new hotel.

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: ACCION International, Inc., 940.0002.44
PURPOSE: increase income & employment generation among urban poor, $1 million +$191,000 T.A.

BORROWER	TYPE OF BUSINESS	PROFILE OF LOANS AND BORROWERS: NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	DIRECT DEVELOPMENT IMPACT: JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT
Fundacion Paraguay	Providing Training and credit to microentrepeneurs	E	N/A	D	$90	onlending to micro-enterprises	54%/50%	29%	N/A	2124 subloans
ADMIC	Create and strengthen micro-enterprises	E	N/A	D	$24	onlending to micro-enterprises	36%/25%	70%	N/A	12 subloans

• Site visit report attached

As of December 1988

INSTITUTIONAL IMPACT

Fundacion Paraguaya

1. Average 54% increase in employment by loan recipients during loan program (approximately 50% women).
2. Sales increased an average of 29% during loan program.
3. Private foundation acting as lending intermediary to microenterprises in Paraguay (Fundacion Paraguaya) gained valuable experience operating for-profit program with private sector. It also occupies a niche other private banks will not enter.
4. Enabled Foundation to leverage other commercial loans and store some credit risk with commercial institutions.

ADMIC

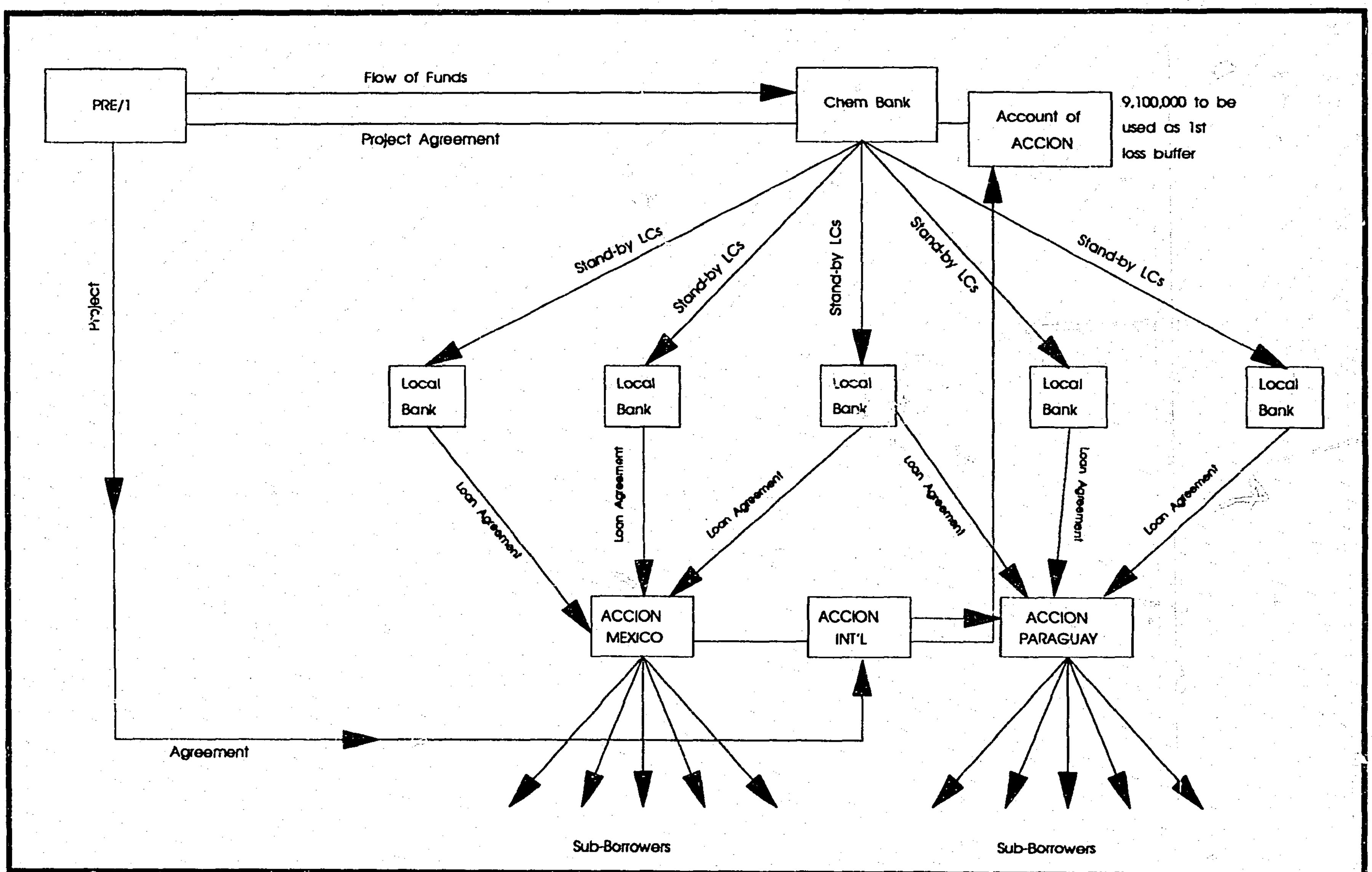
1. Monthly sales of microenterprises increased 70%.
2. 36% increase in employment, of which 25% is women.
3. Increased availability of commercial credit through ADMIC.
4. Commercial Banks now promote microenterprise program, taking this burden away from ADMIC.

KEY

C =	Construction	H =	High
WC =	Working Capital	M =	Medium
E =	Equipment	L =	Low
I =	Inputs		
X =	Expansion		

ACCION MICRO LENDING

CATEGORY: Guarantee/Collateral



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(2/91)

LOS GOMEZ

Loan Amount: $900

Purpose: Machinery

This company makes closets, beds and other types of furniture. It handles the entire production process from raw lumber to finishing. Los Gómez is a family business owned by Miss Gómez and her two brothers. Her older brother started the business in 1958 when he was working on contract to a "patrón" who purchased all his production. He began with one machine (saw) and worked "al aire libre" (no roof). He gradually added other machines such as a router and sander. He taught the business to his brother and sister and they formed a partnership. Miss Gomez is specifically responsible for administration and sales, but she also helps with some of the assembly aspects of production. She is currently studying business administration and will receive her degree in two years.

The relationship with Fundación Paraguaya began in 1986 as one of the first groups. Miss Gómez' brothers have received 15 loans totalling $3,765. Miss Gómez has taken out nine loans totalling $900. Previously, they only used their own capital and required a 50% advance from their clients. Los Gómez did not even attempt to obtain a loan from a commercial bank because a property title (which they lacked at the time) and many "trámites", or transactions, were required. The first loan from Fundación Paraguaya was for a roof "to protect our machinery from the rain." Other loans have been for machinery maintenance and for materials other than wood (which they buy with their own resources). According to the Gómez', they have a good relationship with Fundación Paraguaya. For example, the business has been able to adjust its loan payments to monthly instead of weekly installments. One of the benefits of the training course has been that the business partners are able to determine the true price of their products, and have developed a rudimentary accounting system that allows the concern to keep track of monthly sales and to prepare a balance sheet every three months. Since Los Gómez began its relationship with Fundación Paraguaya its fixed assets (excluding land) have grown from $2,000 to $2,400 and monthly sales from $1,230 to $2,600.

There is a significant amount of price competition from the 30 other furniture makers in the barrio alone. The concern is not looking for new clients since its production level tends to equal the demand. The main clients are furniture stores (90%), with the rest sold to individuals. The business is not growing (nor does it appear that the owners want it to grow). Profit is used to cover living expenses and to maintain the current level of production. One problem is that only 70% of the clients pay on time. As a result, loan payments to Fundación Paraguaya are occasionally difficult to make.

Plans for the future include opening a new store so that the business can sell directly to customers. A book store is also being discussed as a possibility.

SAN MARTIN

Loan Amount: $2,665

Purpose: Purchase raw materials

Mr. Vera repairs shoes. Although he does not make shoes from scratch, he does reconstruct them. He changes soles and heels and does cleaning and polishing.

Mr. Vera opened this second business in September 1988. In 1984 he started a food and dry goods kiosk that his wife now runs. Before this he had worked as the employee of a metal shop for five years. He opened the kiosk because he was tired of being an employee and he thought he could earn more on his own. He worked with his cousin for a month in shoe repair to learn the trade. He used his earnings from the kiosk for the initial investment in the shoe repair business. He chose a service industry because it gives him more freedom. It is also more relaxed. He sits under a large jacarandá tree outside his house listening to music and hammering nails in shoes. On the other hand, the kiosk required that he be present all the time. Now when it is slow with the repair shop, he can go help his wife with the kiosk. She also helps him by "painting" shoes if time permits. Mr. Vera was illiterate, but he is now taking primary education courses.

Mr. Vera received his first loan of $75 from Fundación Paraguaya in 1986. He has since received a total of 14 loans totalling $2,665. Training provided by Fundación Paraguaya has helped him to administer his business, control cash flow and determine his profits. He uses the loans from Fundación Paraguaya for the purchase of materials and his own funds to buy equipment and machinery; he recently bought a buffing machine. Vera's fixed assets have increased from $15 to $150. His daily income has increased from $2 to $15-20.

There is little competition for Mr. Vera in his immediate area. Since all of his customers are neighbors, this is the only area with which he is concerned. His only advertising is a sign in front of his house.

Mr. Vera would like to expand his repair shop as he believes that the demand exists. Both businesses are doing well and he has been able to buy a motorcycle, although his ultimate goal is to buy a house.

SENSACION

Loan Amount: $1,022

Purpose: Purchase goods for resale

Mr. Quintana operates a kiosk that sells dry goods. He also sells breaded cutlets, hard boiled eggs and meat pies that he prepares at home.

Mr. Quintana formed his business in 1978. Previously he had been a musician and played in a musical group. However, he became tired of the music business and wanted a change. He learned retailing through trial and error.

Fundación Paraguaya granted his first loan of $75 in 1986, the first credit he had ever received. He had tried going to the bank, but "they told me I had to be large." Since then he has obtained 13 more loans averaging $73 for a total of $1,022. He usually makes weekly repayments and uses the loans to buy the goods to sell. He has attended all the courses offered by the Fundación Paraguaya and he feels that they have helped him greatly in buying and selling. In 1986 his monthly sales were $872; they are now $1,430. His fixed assets have increased from $436 to $700. He also has other businesses buying charcoal and making beef grease for sale to bakeries.

Since other kiosks are relatively far away, Mr. Quintana does not feel that he has much competition. His customers are mostly office and factory workers and students. His only advertising is the sign over his kiosk.. Mr. Quintana feels that he is doing well and he may buy another kiosk soon.

ARMINDA DE CARMONA

Loan Amount: $300

Purpose: Purchase goods for resale

Ms. Carmona was a member of one of the first solidarity groups at Fundación Paraguaya to receive a loan; she expressed pride in having been involved since the beginning. The owner of the house she rents had pointed out the Fundación's advertisement in the paper. Ms. Carmona showed up at the first meeting with her daughter who is a seamstress, and a friend, who owns a luncheonette, prepared to form their own group. She knew from the beginning that she could count on them, and she was pleased to report that their group has always been on time with loan payments.

Ms. Carmona has run her kiosk for eight years. Previously, she travelled to Brazil and Argentina to purchase goods for other people's businesses. Her husband, who works in mining, was assigned to the distant Chaco region, and Ms. Carmona suddenly needed to find a business that she could operate out of her home in order to supplement their income. Locating the kiosk beside their home also facilitated her children's involvement in the business, since they can work during their free time between school and studies.

Ms. Carmona had never received credit prior to becoming involved in Fundación Paraguaya and said that, to her knowledge, no other credit programs exist for microenterprises in Asunción. Prior to his transfer, her husband had always helped her out financially. Since receiving the first loan from the Fundación, Ms. Carmona is selling more than double what she used to sell because of improved stock. Every two months, their group automatically takes out another loan. Neither she nor the other group members have ever had trouble paying back the credit, although Carmona said that "lengthening the term of the loan would make p[illegible]ack much easier."

With respect to her business' future, Ms. Carmona is most concerned about two new kiosks which have opened near her. Although she is always thinking of expansion, her thoughts have now turned to survival. "Now I've got to look for a way to offer better, cheaper service to keep my clients and keep any new ones from going to the competition."

1547-034/D2
3/91

TAYI

Loan Amount: $2,660

Purpose: Purchase raw materials

This is a family business that prepares a variety of foods -- e.g., meat pies, sandwiches of breaded cutlets "milanesas", and "viandas" -- as well as portable multi-course meals for families and persons who cannot or do not want to cook. Although all of the food is prepared by hand, the family owns several large pieces of equipment such as an industrial stove to prepare the large volume of production.

Mrs. Espínola worked in her parents' restaurant where her mother showed her how to make "empanadas" (meat pies); she learned home economics in high school. The Espínolas got married in 1960 and formed their own "empanada" business three years later. Their main customers were students from the high school that Mrs. Espínola attended. At the beginning the Espinolas had to do everything themselves: they got up at 1 A.M. to make enough "empanadas" for the day. By 1967 they had 27 employees, but sold everything and went to Argentina to open a restaurant thinking it would be more lucrative. However, the business was not successful and they returned to Paraguay in 1976 to open a small restaurant in the interior of the country with no machines. This wasn't successful either; they returned to Asunción the same year and established the current business. The average monthly sales have grown from approximately $2,600 in 1986 to a current estimated $37,400 based on the level of production. They produce daily some 900 empanadas, 60 "viandas" (1,4[illegible] when school is in session, 10 months per year) and 400 "milanesas". Their fixed assets have increased from $2,800 to $7,800.

The Espínolas now have 16 employees aged 5 to 38, all males. Most of the employees are primary and secondary school students originally from the interior. The Espínolas provide the boys with room, board, a small salary and an opportunity to go to school in Asunción and learn Spanish (most speak only Guarani). They probably would not get an education otherwise as most are helping their parents on their farms. The boys go to school for half a day and work and study the other half. There are two shifts.

The first loan from Fundación Paraguaya was in 1987 for $120 to each of the three members of the group. Later that year the older daughter, Olga Espínola, joined the group. She is a teacher of philosophy and has a small greeting card business which she runs in her spare time. The Espínolas have received a total of 7 loans for approximately $2,660. These loans have been used to buy materials such as flour, oil, meat, etc. These loans have been critical to the Espínolas' success because they provide security; they know that they will get another loan as soon as the current one is paid off. It helps cover their periods of illiquidity, which occur often when customers do not pay on time. They began with weekly payments, but later began to request bi-weekly payments due to the cash flow problem. In order to keep customers and be competitive, they had to offer credit.

By and large, the Espínolas say they have had a good experience with Fundación Paraguaya. If they cannot make a payment they advise FP and an adjustment is made. They are in agreement with the interest rate and have been able to get a loan without a conventional guarantee.

The Espínolas have not tried to obtain a loan from commercial banks because the processing period is long and complicated. Moreover, a mortgage guarantee is necessary and, since they rent their house, this was impossible. They once borrowed for three months from a money lender who charged them 20% per month and required daily payments.

The Espínolas business faces considerable competition from other small scale food preparers. Many competitors were flood victims and receive free flour (probably from Food for Peace). They sell empanadas for twi-three days, and then stop until they need money again. Because of their lower costs they can sell empanadas much more cheaply than the Espínolas. These are called the "hormigas" (ants) because they are a "competencia disleal" (unfair competition). Their clients are students from the schools with which they have contracts, street vendors and families.

Currently, the Espínolas' sales cover their costs, but have been insufficient to permit reinvestment in the business. They say that if they had a pick-up truck they could buy raw materials in the interior and could also deliver to customers. They currently use delivery people who are not always reliable.

LILA

Loan Amount: $1,100

Purpose: Purchase raw materials

Mrs. Ovando designs and produces women's clothes. Five to ten percent are produced by special order, and the remainder are mass produced. She conducts the entire process herself in her home using two sewing machines. She also sells thread and buttons as well as plates, glasses and utensils. Two of her children help her part-time.

Mrs. Ovando formed the business in 1986. Before that she sewed in another shop. However, it was far away and she really wanted to work at her own home. Although she only has a third grade education, she began a three year course in clothes-making. At the beginning she was afraid that customers would not pay, but she now has an established, trusted set of clients. Her husband gave her $220 and she put up $75 to buy materials. Her monthly sales have actually decreased from $201 to $100 since 1987, but her fixed assets have increased from $176 to $300. Part of this decrease could be attributed to devaluation.

Mrs. Ovando received her first loan of $120 from Fundación Paraguaya in 1987. The solidarity group consisted of four members, but the coordinator was often late with her payments and the others had to pay for her. This had a negative effect on the group's credit rating and subsequent loans were smaller. The group now consists of only three members. So far Mrs. Ovando says she has had a good experience with Fundación Paraguaya. She has received seven loans from FP for a total of approximately $1,100. She describes the courses as especially valuable. For example, the accounting proved to her the value of keeping books. In fact, she thinks the training should be obligatory because some people don't see the value of it or think that they don't need it. She chose Fundación Paraguaya because it was easy to get a loan there; she could not get one from a bank because of infeasible mortgage requirements.

Mrs. Ovando says her competition can offer lower prices, but not better quality than the garments she produces. Most of her clients are low-income individuals; they are generally more interested in low prices and less concerned with quality. She travels with her goods to other areas and sells in local markets as well as going door to door.

In general, Mrs. Ovando feels that her business is doing well. Most importantly, it has helped to cover expenses for her six children.

RUFINO GARCIA

Loan Amount: $1,200

Purpose: Purchase raw materials

Rufino García is a quiet, methodical man who has been a shoemaker for over twenty years. He had always worked for other business owners until four years ago, when he decided to go into independent shoe production. Friends and contacts began asking him to make shoes on the side, so he decided to couple this demand with a life-long interest in having his own business. García moved slowly into self-employment by filling personal orders on the side while maintaining his full-time job. He accomplished this by obtaining his boss's approval and utilizing the company's tools after hours.

Two years ago, García located a small shop that would lease working space, so he and his wife decided to start their own business. García affectionately describes her as being "aggressive and good with people", which he considers ideal characteristics for sales. He prefers to stick to raw materials acquisition and production.

About this time, García's cousin, a seamstress, asked him to become part of a solidarity group after she had attended the first meeting at Fundación Paraguaya. Since the third group member was a neighbor and friend of his cousin, García had faith in the others and knew the payments were sufficiently low that pay-back would not be a problem.

García estimates that his sales have doubled since receiving his first Fundación Paraguaya loan. Sales are extremely seasonal in the shoe business, with peaks occurring at the beginning of the hot and cool seasons. García had never applied for or received credit prior to joining Fundación Paraguaya. He has maintained an excellent pay-back record during two years of participation in the program. The Fundación staff tells him that he could obtain commercial credit <u>if</u> a credit program for microentrepreneurs existed in a commercial bank.

García's first loan two years ago was for $50; today he borrows $200 every four months and makes bi-weekly payments. The loans are used to purchase leather and other raw materials. García is now looking into getting an IDB loan to purchase his own machinery to augment his production and sales considerably. He currently rents working space and tools from a man who has no finishing machines, and this requires him to do the laborious work by hand. García considers insufficient capital for purchasing machinery and hiring an assistant to be the biggest impediment to making his business grow.

García speaks well of the course offerings at the Fundación, and found those on administration, accounting and marketing to be very relevant and "worth repeating". He also actively participates in a "trade group" comprised only of shoemakers.

JUAN CARLOS ORTIZ

Loan Amount: $1,800

Purpose: Working capital

Juan Carlos Ortíz is a stern-looking yet soft-spoken man who began his milk distribution business seven years ago. Prior to that, he had gained business experience by working for his cousin selling eggs and milk from a truck. After two years of seeing the perishability and loss involved in the egg business, Ortíz decided to start his own business, but restrict it to milk distribution. The milk is purchased sterilized and cold -- "almost directly from the cow". A truck delivers the milk to Ortíz's home, where it is placed in 50 liter containers.

Ortíz started out by selling milk to kiosks and luncheonettes. He developed his clientele by systematically covering different zones of the city and calling on every potential customer. About three years ago, when he saw that a much higher profit margin could be made through bypassing the store owners, Ortíz began selling directly to homes. At that point, he was purchasing a liter at G 120; the milk was resold to a kiosk at G 130, when the average "at your door" price was G 150. Ortíz then employed the same sales technique, and canvassed entire neighborhoods in search of customers. Many new customers were obtained via word-of-mouth, since Ortíz' milk delivery service was not only more convenient, but offered cheaper and fresher milk than the stores (the store price at that time was G 180/liter).

Ortíz had started the business with his own money, and received his first loan of $50 from Fundación Paraguaya in 1987. His wife, who has a custom curtain business, had heard about the program on television and encouraged a friend of many years to form a solidarity group with them. Ortíz and his wife have known the individual for many years, and had a lot of faith that he would repay the loan.

Since 1987, Ortíz has received a loan every four months, and makes bi-weekly loan payments. The most recent loan was for $200. Every day he is required to pay cash for the milk purchased, whereas the customers pay only once a month. This requires Ortiz to settle accounts with his customers every day, in addition to doing the milk distribution. The Fundación Paraguaya loans help him with cash flow problems and facilitated his purchase of a new mini-truck for milk runs, which has also contributed to greater sales.

Ortíz feels that he could qualify for commercial bank credit, although he would have to ask a family member to put up the guarantee. Since commercial banks do not have credit programs expressly for microentrepreneurs, the loan amounts are too large for micros to manage, with $1500 being the minimum loan amount.

At the time of the interview, Ortíz described his business as being in a solid growth stage and having no impediments to continued growth. Since distributors seem to take entire neighborhoods, Ortíz sees his company as having no competition.

SARY

Loan Amount: $2,300

Purpose: Purchase raw materials

Mrs. Cera and her husband make various types of clothing, basing their designs on what they see in fashion magazines. To assist them with production they have four employees that work on three industrial sewing machines and one recently purchased finishing machine. They sub-contract out the making of buttonholes.

The Ceras are from Mexico where they were working as professionals -- he as a business administrator (has an MBA) and she as a speech therapist. Before moving to Paraguay permanently, Mr. Cera visited to make sure there were adequate suppliers and to determine if there was a market for clothing. They moved to Paraguay in 1986 and established their business the same year with $5,000 of working capital, $3,000 worth of machinery and 10 employees. One of the initial problems was that they extended 90 day credit to customers. Also, there were many bad checks, especially from buyers in Puente Stroessner. Consequently, they had to reduce the number of employees and change their client base to Asunción. Currently, they are both still working half-time as professionals.

They received the first loan from Fundación Paraguaya in 1987 and have a total of five loans (all for material purchase) for an approximate amount of $2,300. They could not get a loan from a finance company because it required a mortgage on their house. The banks would not even consider them for credit previously since they had no references. However, Fundación Paraguaya provides them with references enabling them to open a line of credit of $400 at the Banco de Trabajadores (2.5% interest per month). They have also gotten a loan for $300 from the Unión Industrial Paraguaya under a program for small and micro businesses. Since getting the first loan from FP their monthly sales have increased from $3,000 to $4,700 and fixed assets from $4,200 to $7,500.

The Ceras say that they have a good relationship with Fundación Paraguaya. They particularly appreciate the fieldworkers who are always available to provide assistance. Mrs. Cera has been giving accounting, human relations and administration courses at FP. The Ceras are involved in the formation of an association of about 300 small clothes makers that are clients of FP. Such an association would be able to buy materials wholesale, possibly enjoy tax free importation status, and could sell under a group brand name direct to the public and to large retail stores.

The Ceras say that competition comes from both imports (cheaper Brazilian clothing) and local producers, particularly "Koreans who work in their homes, many of whom are illegal and not registered". Their sales are to individuals (30%) and to retail stores (70%). The Ceras visit stores personally to sell their products. Previously

169

they sold more to stores (90%), but many have closed due to lack of demand. This caused a certain drop in the Ceras' sales and some difficulty in making the loan payments.

In terms of the future, they would like to open a store in the front of their house. However, they are currently very frustrated because a high-rise building is being constructed next door and material is constantly falling on their house. They hope to open the store when the construction is finished.

CANTUA

Loan Amount: $350

Purpose: Purchase merchandise for retail outlet

This store, known as "María La Milagrosa", sells various types of handicrafts: mostly baskets, ceramic pieces, and wood carvings. Craftsmen come to the store or Mrs. Rissi visits towns in the interior to obtain merchandise. She has a permanent store in the largest market in Asunción. Her two teenage children help her part-time.

Mrs. Rissi started her business in 1986. Prior to that she did not work outside the home. The store originally belonged to her mother-in-law who became ill; Mr. Rissi then bought the store from his mother. Since he did not have time to run it (he works in the Chaco), Mrs. Rissi felt "obligated" to take it over. With only a primary education, Mrs. Rissi learned the business by trial and error.

Mrs. Rissi received her first loan from Fundación Paraguaya in June 1988. She received a total of four loans for approximately $350, all for the purchase of merchandise. Since getting her first loan, monthly sales have increased from $814 to $2,600 and fixed assets from $100 to $800. She could have gotten a bank loan, but did not want to mortgage her land. Also, she finds that the FP processing is quicker and simpler and does not require a guarantor. She has not been able to attend FP classes because they are at times when she must be in the store. Her solidarity group consists of herself and two other retailers. All are related by family ties, and she feels that the group functions well and harmoniously. Mrs. Rissi is the coordinator and thus makes the loan payments each Monday to Fundación Paraguaya. There was only one instance where a member missed a payment, but it was rectified within one week.

Most of her competition comes from specialty craft stores, but she believes that there are few other mixed craft stores. Her largest selling item is baskets while sales of ceramic items seem to be slacking off. Most of her customers are individuals, including a large number of Bolivian and Argentine tourists. There have been a few fairs where she takes orders for larger amounts of merchandise. She also gives her card to customers and uses word of mouth advertising. Most sales occur on the weekend.

Mrs. Rissi says she wants her business to grow slowly because she is very cautious. She has not considered opening another store.

HACIA LA META

Loan Amount: $125

Purpose: Film development supplies

Mr. Guzmán accepts contracts to take pictures for weddings, graduations and other social events. In addition, he does identification card pictures for schools and is under contract to a magazine to take pictures every time there is an accident at the "Curva de la Muerte", a dangerous curve in the road near his house. He does not develop pictures, but sends them to a processing lab for developing. He has no full-time employees although his brother helps him part-time when necessary. Other photographers also help him when he has a heavy work load.

Mr. Guzmán established his business in 1987 after working for another photographer for three years. Before that, he worked in a leatherwork shop. When Mr. Guzmán was 12 years old, his brother had a camera. Mr. Guzmán used to take pictures that usually turned out well. A woman recommended that he work as an apprentice to a photographer. Although he learned a lot in this job, he was treated very poorly. This poor treatment was an incentive for him to learn more so that he could start his own business. Mr. Guzmán began with $60, a camera and a flash. A friend who has a hamburger stand offered him an adjoining shelter where he put up his first sign. He later moved to his current one room office. Luckily, people in the area knew him, and eventually learned that he was in business. His first jobs were in schools and at parties. His clientele grew by word of mouth.

Mr. Guzmán's first loan from Fundación Paraguaya was for $50 in September 1988. He has since received another loan for $75. Both of these loans had a two month term, they were used to purchase film and batteries. He borrowed from a money lender who charged 5% per month to buy his camera. The training courses at FP have taught him to seek out more clients. He says that having to pay his loan promptly has taught him how to administer his money better. Since not all clients pay on time, he has learned to ask for an advance from 30% of his clients. The other 70% can pay later, but he has found that 20% of these clients don't pay on time. He concludes that he must get to know his clients better. His monthly sales since September 1988 have increased from $1,412 to $1,950, but assets have decreased from $174 to $160, due in part to devaluation and changing definitions of fixed assets.

Mr. Guzmán says that he has a lot of competition, but that he has many clients because his many friends recommend him. His clients are mostly individuals as indicated above.

He feels he is doing well and that his clientele is expanding. He plans to buy better equipment eventually, and a motorcycle. He may even set up a darkroom.

AARON AGUILAR GONZALEZ

Loan Amount: $1,747

Purpose: Capital improvements and raw materials

Mr. Aguilar and his wife are equal partners who produce ceramic figurines. Model figures are bought in hobby stores in the U.S. and molds are made from each. Clay is poured into the mold and when ready the figures are put through a kiln on a long conveyor. The figures are then hand painted and fired again.

The Aguilars began their business in 1980 with an investment of $870. Currently, they estimate that the total asset value of the business, including land, building and inventory, is $63,320. The only assets they had when they began were a simple roof, some equipment, and raw materials (clay). They began by working 12-14 hours per day. Mr. Aguilar only attended primary school, and learned his trade by working as an apprentice. He saw his years as an apprentice as an opportunity and a means to an end rather than as an oppressive situation. He also took some courses on sales and business formation before he and his wife opened their own business. The Aguilars now have 13 full-time employees which they see as an opportunity to help others develop professionally. The Aguilars' expressed their positive attitude toward their business in saying, "To have a business in Mexico is not easy. To work honestly, risking what you have is difficult. Many times we have wanted to give up, but we always have had the courage to go on because it is difficult (if not impossible) to go back to being an employee."

The Aguilars have been using ADMIC's services since 1981, when they got their first loan for the purpose of building a wall below the original roof. They have received six loans since then -- three for capital investments and three for raw material purchases. In fact, Mr. Aguilar says "ADMIC is our strong right arm"; they always consult with ADMIC before making an important business decision. They could now get a loan from a bank, but would prefer to use ADMIC because bank processing is much slower. The loan from the guaranty fund was for raw material purchases, but they could use an amount two or three times larger so that production could be raised to meet potential demand. One benefit of the association with ADMIC was the recent exposition for micro-enterprises held in Monterrey. The Aguilars received $6,550 in orders from one store and monthly orders of $440 from another as a result of having their products displayed there.

[illegible]ough the Aguilars have about six competitors, their business has survived, w[illegible]er producers their size have failed. They sell wholesale to fifteen chain and smaller retail stores, plus another eight to ten stores in other towns within the state. They do not advertise; most of their business comes from the references of satisfied customers. They are planning to modify their production system to obtain better quality figurines and to expand the product line.

1547-035
3/91

ADOLFO SANCHEZ HINOJOSA

Loan Amount: $1,747

Purpose: Purchase raw materials

Mr. Sánchez produces decorated glassware to order. He either designs the decoration himself with a general idea from the customer, or the customer gives him an exact design to be copied. Through an ingenious photographic process that Mr. Sánchez developed, he copies the design onto a silk screen. The design is then applied to the glassware in single or multi-colors. The glassware is then passed on a conveyor belt through a long oven to bake the paint onto the glass.

Mr. Sánchez wanted to start his own business ever since he was in college (he has a bachelor's degree in chemical engineering). He first thought of making ceramic pieces, but after becoming familiar with glassware, he decided to focus his attention on its production. He began with a single oven and a total investment of 200,000 pesos ($8,700) of his own resources in 1980. He now estimates that he has 20 million pesos invested in the business, but this is worth nearly the same amount in dollars ($8,734) due to severe devaluations in the 1980s.

ADMIC has helped Mr. Sánchez since 1983 when a fieldworker visited and introduced the program; he received his first loan for $600 to buy raw materials and glassware. He has had a total of five other loans since then. He is pleased with the current loan from the guarantee fund since he could get a larger amount than previously (maximum was 1 million pesos). This allows him to buy more raw material at a lower unit price. Mr. Sanchez tried going to one of the commercial banks for a loan, but they wanted to discount all of the interest up front. He also feels that the training at ADMIC has helped him grow, although he does wish that they had technical assistance in his specific area of production.

Although Mr. Sánchez has four competitors, he has developed a market niche in that he is the only one that does publicity decoration on glassware. He uses the yellow pages, commissioned salesmen and personal visits to promote his products.

Mr. Sánchez is optimistic about the future. His plans include the purchase of a computer for control of inventory and orders, possible exporting and opening a retail store to display his products.

14

RAFAEL BALANDRANO SANDIVAR

Loan Amount: $1,747

Purpose: Purchase raw materials

This company's main product is aluminum "dust" made from metal shavings. The product is used in the manufacture of stainless steel. In addition, they produce sawdust, graphite and charcoal.

Before starting his own business, Mr. Balandrano was in charge of quality control for a copper production plant. When that contract ended, he searched for a way to form his own business. He is an industrial engineer and his current partner is an architect; he has known his partner since college. Mr. Balandrano began his charcoal production business in 1984. In 1985, he and his partner each invested $485 and began the aluminum dust business.

Mr. Balandrano's loan from the guarantee fund was used entirely for the purchase of raw materials. The processing of his application took two months in ADMIC -- probably because he was one of the first borrowers with this new source of funds -- but only one month in BANORTE. ADMIC did not require as many guarantees as FOMICRO or the commercial banks. He applied for a loan from BANORTE in February 1988. They required a mortgage guarantee which he could not provide. Since receipt of the loan from ADMIC Mr. Balandrano's monthly sales have increased from $1,490 to $3,270; his fixed assets have remained the same.

One of the attractive features of this loan was the availability of a larger amount than ADMIC usually provides. Since his company is currently operating at only 50% of production capacity, a larger loan (as much as $6,100) is needed to meet the current demand of fifteen tons more per month

Mr. Balandrano's competition is from factories in the Federal District and Chihuahua. His main customers are two factories, one in Monterrey and the other in Coahuila. In order to be competitive he must offer lower prices and give at least 15 days credit. His competitors require 50% payment in advance and 50% on delivery. His marketing is done by direct contacts with factories.

RAUL ESTRADA RUBIO

Loan Amount: $1,747

Purpose: Purchase raw materials

This company rebuilds automotive alternators, starters and industrial motors. Mr. Estrada also accepts some motors for repair, but it is not a major activity. He will give a better price on individual repairs to regular clients who buy a large number of rebuilt motors. Although there is some line manufacturing, all of it is done by hand. There is only one lathe which is used to make round pieces true. In general, the company's production processes utilize old technology. The raw materials are wire, varnish and insulation paper. Mr. Estrada's partner is his wife and he has seven employees.

Before beginning his current business in December 1982, Mr. Estrada sold lubricants and bearings for his wife's brothers. They did not want to teach him how to make these products, but he watched the production process carefully and finally learned it. Mr. Estrada had a truck which he sold to buy materials and equipment; soon he was producing items that were of better quality than those made by his brothers-in-law. In 1982 Mr. Estrada began the current business with an investment of $1,750. He now estimates that his total investment to date is $24,000.

Mr. Estrada is one of ADMIC's clients of longest standing. He got his first loan of $720 for materials in 1984, and he has received a total of seven loans for approximately $5,735. Mr. Estrada also borrows from money lenders occasionally, for which he pays 84% interest per annum. He borrowed from an individual to buy his shop; he pays 7% interest on this loan each month and is paying off the principal as he can. His only loan from the guarantee fund so far is the current one for $1,747 that he received in April 1988. The loan has a term of one year and is for the purchase of materials. Since then Mr. Estrada's average monthly sales have increased from $2,620 to $4,370 and his fixed assets have increased from $17,320 to $23,140. He says that the main advantage of the guarantee fund is that he can get a larger loan from ADMIC than he could previously. This has allowed him to buy materials in larger quantities and thereby get a better price. Mr. Estrada thinks ADMIC should be more selective and help fewer people, giving larger loans to each. He would also like to have ADMIC give information on the technology in his specific area of production (e.g., what new machines could improve the quality and quantity of his production?)

Mr. Estrada has five competitors in Monterrey -- four smaller and one larger than his company. Sixty percent of Mr. Estrada's clients are in Monterrey and are truck repair shops and electrical supply stores. The rest of his clients are auto repair shops in the border area. He markets by making personal visits to these shops and also by recommendations from current clients. One of his biggest problems is the lack of trained personnel. He says he cannot afford to train his current employees or to hire more skilled workers.

Mr. Estrada's sales are increasing and he is reinvesting in his business because he feels confident about the future. His short term plans are to pay off the $2,300 debt for the shop. His long term plans are to expand the business, hire more employees and set up a production line to increase output. He also wants to finish his formal vocational training. He is currently teaching electrical classes pro bono in a technical school; he wants to give more specialized classes such as electrical armature.

Mr. Estrada feels that the rewards of a business are not only the income, but also the acquisition of knowledge. He feels a certain satisfaction in being able to give work to people and to help them learn a trade. He says that many mothers have asked him to teach their sons a trade so that they will not be "hanging around the street corner being bums". He adds, "many people earn more than I do, they work eight hours and go home, but they don't have a specific objective in life; they don't have a focus."

ANDRES ORTIZ TIRADO

Loan Amount: $2,183

Purpose: Purchase raw materials

Rotaflex manufactures various sizes and styles of industrial dollies. It makes some of the parts itself, and purchases others on contract. The proprietor, Mr. Ortíz, feels that he is more of a craftsman than a manufacturer since there is a low level of production and the work is very labor intensive. He manages four employees and is in partnership with his wife, father, and two others. He owns 15% of the business.

Mr. Ortíz possesses a degree in business administration and started the business in December 1985 because he was tired of being an employee and taking orders from those above him. He felt that he was creative and had a distinct way of looking at things. He saw a market for his product because of the growth in the office equipment business.

Since getting the loan from ADMIC, the business' monthly sales have increased from $240 to $868 and fixed assets have increased from $5,240 to $9,170. Mr. Ortíz could have obtained a bank loan as an individual due to the long standing relationship he has had with his commercial bank. However, in lending to Rotaflex as a company, the banks required a two to one guarantee.

Mr. Ortíz felt he needed little of the training offered by ADMIC, but he is taking computer courses elsewhere. He provides training for his employees, but he would like ADMIC to provide such training.

He has no competition in Monterrey, where he has 20-25 customers, but he does compete in other cities such as Chihuahua, Saltillo and Torreón (eight to ten companies outside Monterrey). All of his competitors are larger and are based in Mexico City or Guadalajara. His clients are large factories such as canneries, office furniture producers, plywood makers, etc.

Mr. Ortíz feels that the business is growing and he is adding computer capability. Although he is at 70% production capacity, he needs to find new clients in a different line of products so that the company can diversify. He has an engineer designing new products now. He is also conducting a study of the entire market to assess the best products, his competition, potential clients, and possible investments.

The biggest problems confronted by the business are employee training and the lack of resources for investment in equipment and the administrative structure of the company. In general, Mr. Ortíz feels the company is doing well. Three years after becoming independent he says, "it was the best decision of my life and I feel very satisfied." He thinks Mexico is a country full of opportunities as in few other countries. He also feels that the people of northern Mexico are more ambitious and responsible than those in the center and the south.

19

ANTONIO SOMARRIBA AUBERT

Loan Amount: $873

Purpose: Purchase raw materials

Mr. Somarriba runs a partially mechanized factory that produces an average of 375 kilos of tortillas per month. The "masadora" (mixer) can produce 25 kilos of tortilla "masa" every three minutes. Another machine produces the flat tortillas which then go on to a conveyor belt to pass through the oven three times. The ideal cooking temperature is 380°C, but the oven must occasionally be shut off because it tends to overheat. After cooking, the tortillas are packed and weighed. Half are sold over the counter and half are delivered in Mr. Somarriba's pickup truck to stores.

Mr. Somarriba was born in Nicaragua, but moved to Mexico many years ago. He met his wife and became a citizen of Mexico ten years ago. He has a degree in business administration. Before starting his business Mr. Somarriba worked in a motor repair shop. His father-in-law offered him the ownership of a "tortillería" in Saltillo and it was there that he began his business in 1971. He started with one machine, but did so well due to the high quality of his tortillas that after six months he bought a second factory; six months later he bought a third. However, he found that each demanded his full time presence so he sold all but the last. He originally used corn flour, but now uses a pre-mix ("maseca"), which is cheaper (due to its subsidized price) and of better quality. Since tortillas are a staple food, the government controls the price. The price remained constant throughout 1988 even though production costs increased. Currently Mr. Somarriba is working only at 70% of production capacity due to a combination of low sales, the economic situation and the hot season. He says people have less appetite for tortillas in hot weather.

The first loan he received from ADMIC was in 1986 for the repair of his truck. He preferred to borrow from ADMIC because banks will only lend for one month and the interest rates are much higher (67-73%) even though the banks don't require a guarantee "because they know me". He uses the bank for his short term needs such as utility bills, etc. With his recent loan from the guaranteed funds, the BANORTE branch office told him that he had to open a checking account with them in order to receive a loan. This loan was to purchase "maseca". The processing in ADMIC took only 15-20 days, but in BANORTE it took three months, most of which was spent at the main office. He also has another loan of $1,300 from FOMICRO which allowed him to buy 15 months worth of "maseca".

Sales have increased by 32% since receipt of the loan, but fixed assets have remained the same. Competition is from four other "tortillerías", three of which are larger. However, he feels that he is doing better than the competition because he can produce more, better quality tortillas using his new mechanized system. The old process took eight hours, whereas the current system is nearly immediate due to a constant flow of tortillas.

JOSE LUIS RAMOS

Loan Amount: $2,100

Purpose: Purchase raw materials

José Luis Ramos has been in the footwear business, either as a shoemaker or a business owner, for over 25 years. He started by working out of his home filling shoe orders, and slowly accumulated tools and materials. Eventually, a large shoe manufacturer became interested in his work and provided Ramos with all of the necessary tools and between seven and eighteen workers to supervise, according to how busy they were. From 1968 to 1972, he manufactured his own shoes and sold them from a shop on the premises.

Since 1973, Ramos has sold the shoes that he manufactures both at his own store, and under a different label to a store chain. His goal is to see his store in a good commercial location downtown.

Ramos learned about ADMIC through the Chamber of Shoe Manufacturers in Monterrey. An ADMIC promoter came to a meeting and explained the courses, credit and technical assistance offered by the program. In the early 1980's, Ramos had received a small commercial bank loan, but has largely built his business from personal savings and reinvestment of profits. Since 1986, he has been receiving credit from ADMIC, and has always used it to purchase raw materials. Ramos feels that the ADMIC loans are too small, but doesn't think that he could get a loan from a commercial bank, given the low liquidity in the financial sector and his scant formal credit history.

In Ramos' view, the biggest problem that his business faces is competition, because there are so many manufacturers. "My salesmen must work harder and harder to convince clients to buy our product," he lameats. "This is because our shoes are higher quality and, consequently, more expensive."

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: SECURITIZED TRADE FINANCE—940-0002.56
PURPOSE: Mobilize F.E. Credit for SMSE Exporters
$2.4 Million

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT
Birlesik	Packaging Materials Mnfctr.	E	M	D	$200	I	10		N	
Er-ka Tekstil	Clothing Manufacture	E	M	E	$29	I	10/4		H	
Birlik	Saw Mill	E	M	D	$200	I	3		N	
Topsan	Saw Mill	E	M	D	$200	I	—		N	
Ayvacibar*	Construction Materials Sales	E	M	D	$110	I	—		N	US Lumber Import
Aycam*	Prefabricated Windows/Doors	E	M	D	$367	I	9		N	
Coskun*	Meat Packing/Processing	E	M	D	$306	I/E	50/17		N	
Apikoglu*	Food Processing/Meat	E	M	D	$300	I	30		N	
Ilhanar	Food Processing	E	M	E	$1800	I	100/60		H	
Dog*	Clothing Mnfctr/Food Processing	E	M	E	$210	E	160/112		H	
Arat*	Clothing Manufacturer	E	M	E	$117	I	90/22	225	H	
Tat-Beytas	Food Processing/Canning	E	M/F	D/E	$2000	I	2000 est.		M	
Kartal*	Food Processing	E	M	D/E	$450	I	20	25	L	
Maret*	Meat Processing/Packing	E	M	D/E	$4300	N/A	450/65	start up	L	
Aymar Yag Sanayii	Food Processing	E		D/E	$563	I/E	68 (Act)		M	4% Increase in Prod. Capacity
Günsu Tarim	Food Processing	E		D/E	$105	WC	—		L	
Kau Grman	Watch Manufacturer	E	M	D/E	$200	WC	5%	12	M	

* Site visit report attached

As of December 1990

INSTITUTIONAL IMPACT

1. Possible influence in IFI obtaining subsequent funds from U.S. Capital market.
2. Probable positive influence of IFI lending to SMSE's.

KEY

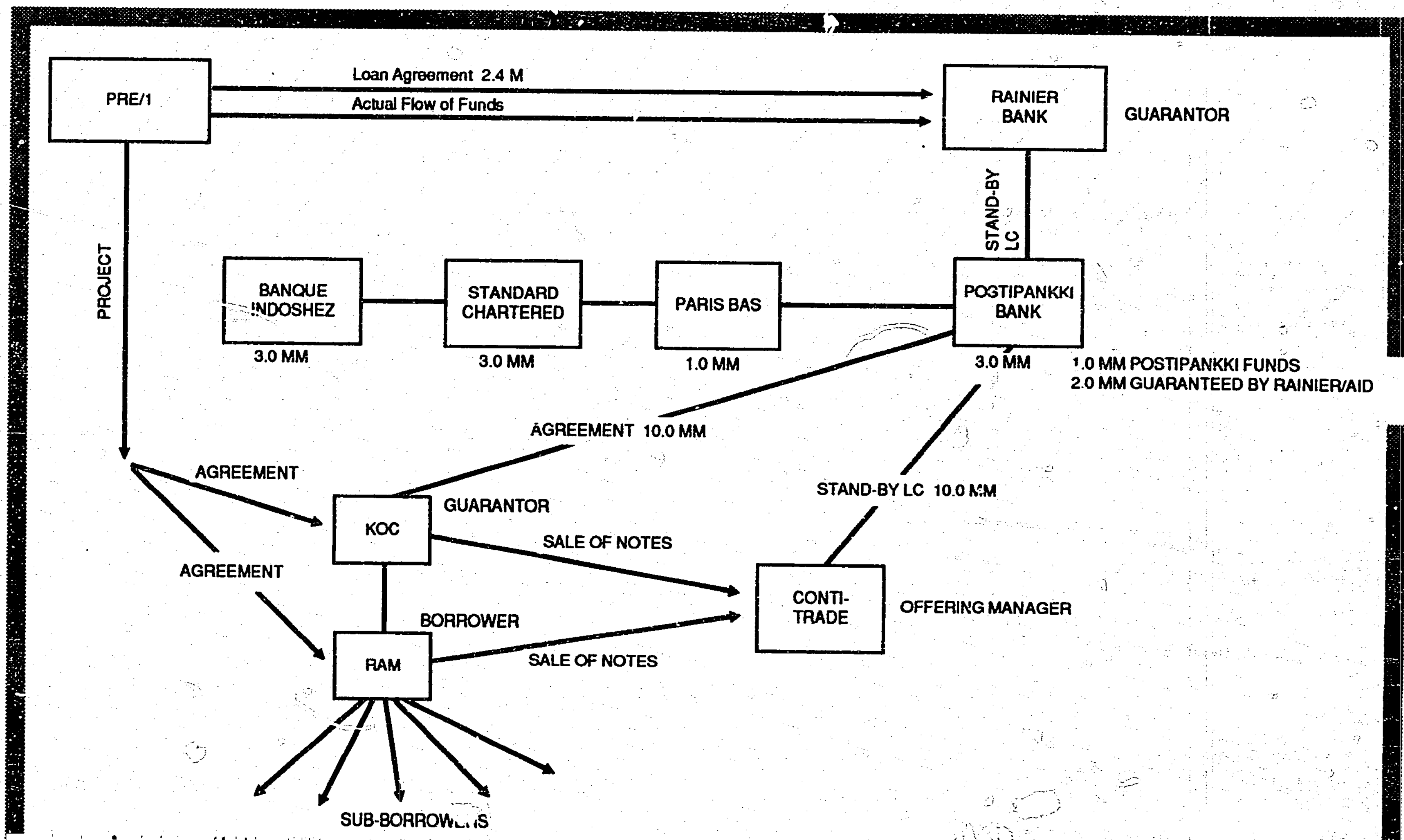
C = Construction
WC = Working Capital
E = Equipment
I = Inputs
X = Expansion
H = High
M = Medium
L = Low

183

1547-022(O)
(2/91)

SECURITIZED TRADE FINANCE
FY'87

CATEGORY: **Guarantee/Collateral Account**



APIKOGLU SUCUKLARI

Loan Amount: $300,000

Purpose: Import financing

Apikoglu, Turkey's oldest commercial spiced sausage and salami processor, was founded in 1903 by the Armenian family that still owns the firm. Apikoglu also produces such products as fat, blood flour, organ meat, intestines, bones and leather. It has an automatic separator that cuts meat from the bone, thereby eliminating most hand work. Other than this one modern feature, the team noticed that the plant, dating from 1935, was rather antiquated. The firm's management admitted that the plant was outdated and plans to replace it with a new one using its own savings. This will increase current production of 2,500 metric tons by 50%. Dirtal Agça, the production manager and family spokesman, mentioned that they also own a small stainless steel plant that has no connection with the sausage company.

In 1987 sales totaled $4.8 million, of which 70% was sales to wholesalers in the Istanbul area. Management estimates that the market value of net fixed assets (excluding land) is $1.1 million; current assets total $1.1 million; and shareholders' equity is around $600,000. The firm had approximately $900,000 in net fixed assets in 1986 before the relationship with Ram because it had not yet acquired the automatic meat separator and some delivery vehicles.

Mr. Agça stated that there are 150 full-time employees, only six of which are women. He added that he believed the company's operations were medium-scale in Turkish terms, with nine other firms of approximately the same size in the industry and four larger companies. There were approximately 86 smaller sausage firms around the country specializing in one or two local products.

Apikoglu's relationship with Ram dates from the time of the first STF disbursement in 1987. It is limited to import financing consisting of live cattle advances totaling $900,000 in 1987. Advances amounted to only $300,000 in the first nine months of 1988 because of a sharp fall of the Turkish Lira. Advances are provided on a three month revolving basis against a commercial bank's standby letter of credit, and their total cost to Apikoglu was 73.50% per year. The firm's management says it borrows from Ram solely because Ram's advances are cheaper than commercial bank financing.

Apikoglu Sucuklari is a conservative, family-run business typical of the Middle East. The firm minimizes expenses by keeping overheads low and self-financing its operations. However, rising competition, modernization of the Turkish meat industry and consumer demand for higher quality products will put pressure on Apikoglu.

ARAT TEKSTIL SAN VE TIC A.S.

Loan Amount: $117,000

Purpose: Purchase raw materials

Arat Tekstil was founded in 1983 as a manufacturer of women's dresses and men's jackets for the boutique market in Western Europe and Hungary. The firm is owned in equal shares by the three Arat brothers, all in their middle to late thirties. The eldest brother, Hasan Arat, is the chief executive and marketing director; the other brothers concentrate on purchasing textiles and operations.

Hasan, a former national basketball star, began selling textiles while playing basketball and studying for his B.S. in Economics. He is the firm's principal strategist.

Arat Tekstil's growth of sales has exceeded 200% per year between 1983 and 1987. Mr. Hasan has consolidated the company's gains in 1988 through long-term investments in new finishing equipment for the company's Istanbul workshop, an investment in a local wholesaler, and a 50% investment share in a knitwear manufacturer/wholesaler in Austria. Arat Tekstil provides for the welfare of the 140 full-time employees (35 of whom are women), by providing a small, modern medical dispensary, a clean lunchroom, air conditioning during the summer, excellent lighting and adequate fire protection.

Arat Tekstil procures its textiles with loans from Ram. It subcontracts the stitching work, creating between 1,000 to 1,500 temporary jobs in 30 locations around Istanbul. Then it finishes garments in its workshops. Exporting 97% of its garments, the firm is competitive with European and even Asian firms because it can promptly deliver a finished garment at 40% less cost than its foreign competition. Because of this advantage the company's sales rose from $275,000 during its first year of operations to an estimated $6 million in 1988. The company currently has $2.3 million in net fixed assets of which approximately 55% represent its office/workshop.

Arat Tekstil has worked with Ram since the beginning of 1986 when Arat had $700,000 in sales and possessed only $500,000 in net fixed assets. The company's capital consists of Mr. Arat's athletic earnings and reinvested profits. Mr. Arat was initially obliged to borrow from commercial banks and from Ram under a standby bank guarantee. Currently, with the exception of the building's mortgage, its $117,000 quarterly revolving line and $3 million short term bank lines are on open account.

Although the Ram relationship pre-dates the PRE facility, Ram's credit lines have played a key role in assisting the firm to increase its revenues from $2 million in 1986 to $4.5 million in 1988. Ram considers the Arat brothers to be prime examples of the type of entrepreneurs they want as clients. Ram management pointed out the flexibility in their guarantee requirements in the case of a company like Arat. In fact, the company is as much a sales partner as a client of Ram because increasingly the two companies split Arat's export sales profits instead of entering into a financing agreement.

AYVACILAR KERESTE SANAYI VE TIÇARET AND AYCAM AHSAP URUNLERI SANAYI

Loan Amount: $367,000

Purpose: Purchase imported raw materials

These two medium-sized enterprises, located about 40 miles from Istanbul, are owned by two sons of a family that has had ties to the Koç family for three generations. The older brother, Salem Aynaci, runs Kereste, the original family firm founded by his grandfather. He limits his sales of cut lumber to small construction firms in the Istanbul area. Mr. Aynaci, an engineer by training, estimated that his firm would have $660,000 in sales in 1988, $300,000 in net fixed assets, and would continue to employ 20 people (no women).

The younger brother, Izzet Aynaci, an economist by training, owns Aycam, roughly the same size ($625,000 in sales, $400,000 in net fixed assets and 34 male employees). He produces prefabricated window and door frames for middle income apartments in which he is often an investing partner.

Kereste's office and mill take up two acres. Here the entire work force cuts raw logs into lumber according to customer specifications and delivers the orders to construction sites on a rented truck. All equipment is of Turkish origin and modern. Work areas are poorly laid out, and there is a great deal of wasted space.

Aycam, located approximately 2 miles from Kereste, is housed in a series of workshops situated on 1 1/2 acres. Each workshop is responsible for a specialized assembly line function, has foreign equipment, much of it more modern than Kereste, and the plant is well laid out, with greater regard to worker safety. Izzet Aynaci explained that Aycam's manufacturing process is modeled on American "just in time" inventory techniques, where frames are manufactured and picked up by customers in coordination with construction schedules.

Kereste's relationship with the Koç Group dates back to the 1920s when Koç helped the Kereste family make their fortune as a small building material supplier and constuction company. Based on this long-term relationship, in 1984 Ram waived the requirement for a standby commercial bank guarantee for its $110,000 revolving advance line to import logs from Finland, the USSR and the U.S. The company has cut back on this line of credit in the past several months due to unfavorable foreign exchange terms and has begun to self-finance the purchase of local logs from a parastatal.

Similarly, in 1987, Aycam opened a $367,000 revolving line of credit with Ram. Aycam has lowered its credit exposure in anticipation of an economic slowdown. Nonetheless, it continues to import foreign logs that are of superior quality to the Turkish ones because it services a wealthier housing market than Kereste.

While Ram will continue to provide short-term financing to Kereste, the trading company has identified Aycam as a preferred customer. Consequently, Ram has provided assistance in everything from the procurement of foreign equipment to obtaining a commercial bank line without guarantee requirements.

COSKUN NAMLITÜRK SUCUGU

Loan Amount: $0

Coskun is one of the largest meat companies in Turkey. It is a family owned company founded in 1975. In 1987, 20% of the firm's livestock were imported, some of which came through Ram from Comecon countries. The rest came from domestic sources. By the end of 1988, all animals came from domestic sources. The company slaughters the animals and processes them into spiced sausage and salami. Some by-products also sold are fat, blood flour, organ meat, intestines, bones and leather.

Mr. Kemal Coskun began in this business as an apprentice when he was 12 years old. He now owns the majority of the company and is its President. The company is proud of its modern equipment and processing techniques. Sanitation is high and the plant is spotless. The company has 150 full-time employees, 50 of whom are women.

In 1987 the company had sales of $1.5 million and in 1988 has net fixed assets of $596,000. The largest volume items produced were spiced sausage (22%) and salami (14%). There was also a large volume of organ meat (34%) as a by-product. A little bit of this production (0.5%) was exported to Cyprus and Iran. They cannot export to the EEC because the products are not up to the standards required.

Competition in Istanbul comes from nine other similar companies, 80% of which are the same size. In addition, there are 60-70 similar companies in the rest of Turkey and the government has its own meat packing plant.

Some of Coskun's products are sold directly to the public from one store in the plant and two more in other cities. The company also owns a store that sells only to wholesalers and supermarkets. Of total sales, 70% are in Istanbul, 15% in Ankara, and 5% in the rest of the country. The financial needs of the company are for long-term capital for equipment and working capital. Since this company's exports are minimal, it must rely on Turkish lira financing, for which it pays 85-90% per year.

Although Coskun has no loans from Ram at the moment, Ram has in the past imported livestock for the company. Livestock advances are usually repaid in three months. Ram has also provided advances to hire 50 additional employees and has extended credit for imported machinery purchases.

DOG TEKSTIL VE NAKIS TIC KOLL STI

Loan Amount: $300,000

Purpose: Factory modernization

Dogu Tekstil is a conglomerate involved in the manufacture of men's and women's mid-priced apparel and tie-dyed denims, and raisin processing for the European and Middle Eastern markets. Since the Ram relationship is limited to the clothing division, the Managing Director, Mr. Gursel Yildim, declined to give specific details on other operations. He informed the team that the clothing manufacture will have $4 million in sales in 1988, $1.3 million in net fixed assets (minus land) and 260 permanent workers, of which 70% are women. The apparel division of Dogu Tekstil shows some direct links between growth of the company and the Ram credit pool. Mr. Yildim said the real growth within the Dogu Group came from the apparel division, which had only $850,000 in net fixed assets at the end of 1986.

Mr. Yildim, 38, has university training in business administration, and said that he took over leadership of the company from his father, the founder, about eight years before. He and his brother had branched out into the tie-dyed denim and raisin processing subdivisions.

Mr. Gursel described the apparel operations as capital intensive. These operations are based on designs that are sent by the customers - mainly large wholesalers or popular retail houses in West Germany. He believed that Dogu Tekstil is a medium-sized enterprise, but admitted that there are probably no more than four or five larger Turkish clothing manufacturers. Mr. Gursel believes that the market demands economies of scale, credibility in quality control and short delivery times in order to be competitive. He emphasized that capital and quality requirements -- and reaction time needed to compete in the international market -- are increasing every year. The company's biggest problems are maintaining careful management to meet these exacting standards and buying quality textiles in Turkey (a complaint echoed by the Arats).

The relationship with Ram dates from 1985, but Ram did not extend financing until 1987. Financing now consists of a $210,000 two month revolving advance credit line and a $90,000 two year loan for plant modernization backed by a commercial bank standby letter of credit. In addition, the company has a $1 million secured commercial line of credit priced at the three month London Inter-Bank Offer Rate (LIBOR) plus 2.5% per year. Mr. Yildim mentioned that Ram provided assistance in accessing export markets and obtaining equipment and financing on a competitive basis. Export sales have risen from $1.7 million in 1986 (providing employment for 100 permanent employees) to current sales of $4 million (providing employment to the mentioned 260 permanent employees).

KARTAL MARKARNA

Loan Amount: $450,000

Purpose: Purchase raw materials

Kartal Makarna is the second largest Turkish processor of macaroni, semolina and flour by-products. Founded in 1928, the firm's shares are concentrated with seven members of one family. The largest shareholder is Ali Gencer Ulukartal, the founder's son and an agricultural engineer by training. He concentrates on production problems and quality control and delegates administrative and financial matters to Bahaettin Besikcioglu, the president. However, Mr. Ulukartal is the de facto board chairman and has ultimate decision-making power, but he prefers to run the firm by team work.

The company operates at 80% capacity, processing 60,000 metric tons (MT) of durham wheat into 26,000 MT of macaroni, 12,000 MT of semolina and 11,000 MT of byproduct flour. Kartal has modern manufacturing processes, with most of its machinery installed within the past six years, but it does not use state of the art technology such as Italian mixers to blend durham and soft wheat.

Kartal's sales in 1987 totaled $10 million and net fixed assets excluding land were $9.1 million. In addition, the company had 140 permanent employees, including 20 women in semi-skilled positions, making Kartal the second largest Turkish macaroni producer. Kartal's macaroni products are half the price of quality Italian macaroni. Current exports of approximately $2 million are principally semolina to the Middle East and macaroni to Europe. However, export sales are down 43% from 1984 due to lower demand in the Middle East.

The relationship with Ram dates from 1982 when the company had $8 million in sales, $3 million in exports and 120 employees. Since then, total sales have increased by 25% and net fixed assets have doubled. Exports are lower because of lower sales in the Middle East, but 20 new permanent positions have been created. Kartal fits Ram's profile of a growing, dynamic company, and so Ram has assisted the food processor in selecting its export markets. Kartal buys local wheat through a $450,000 three month non-collateralized line of credit from Ram. These funds are provided at 6.5% per month plus a 4% transaction and devaluation risk fee, with the total price of the line coming to about 70% per year. This compares favorably to the commercial bank rate of 90% per year for the same transaction. Kartal currently has $450,000 in commercial bank trade finance lines of credit, but the firm prefers to finance exports through Ram because of its more competitive price and the trading company's flexibility and marketing assistance.

191

MARET MARMARA BESICILIK VE ET SANAYI VE TIÇARET A.S.

Purpose: Import cattle

Maret, a subsidiary of Koç that opened in 1987, is a state of the art, integrated slaughter and meat processing plant. The plant employs 450 full-time workers (65 women) and uses the latest technology in each step of slaughtering, offal (tripe) processing, deboning, lunch meat processing and packaging, and rending, according to EEC standards and Islamic Law. Ram is proud of this facility and requested that the team visit the facility because it would provide a contrast to the smaller meat processing firms.

Mr. F. Bulend Ozaydinh, Maret's Executive Vice President, was educated at American University in Beirut on an A.I.D. scholarship and rose through the Koç supermarket chain, Micros. He explained that he was on a committee that encouraged the development of plants in a peri-urban area 50 miles from metropolitan Istanbul in order to avoid congestion and promote agribusiness in an economically disadvantaged area. Mr. Ozaydinh stated that Maret was now the only company in the Koç Group to incur operating losses even though the company had gross revenues of $10 million and $9.5 million in net fixed assets (less land) in 1987. These losses were principally due to higher than anticipated start-up costs and disappointing results from initial sales of packaged processed meat products (sausages, salamis, traditional "sucuk" spiced meats and mutton "kavurma" cubes).

Maret has captured an estimated 12% of Istanbul's market for raw meat, against a projected 15%. The company has only been able to attain 5% of the processed product market against an overly optimistic projection of 20%. This is a market with a high profit margin. The major impediment is that even affluent Turkish consumers are not receptive to paying higher prices for Maret's hygenically packaged products.

Export possibilities are more optimistic, and Maret has developed a viable, growing market for its product lines in Saudi Arabia, Turkish communities in Western Europe, and Hungary. Currently 40% of Maret's volume, or 25 tons per week, is exported. As a result the company projects it will break even in 1988, and hopes to expand exports to 40 tons per week by mid 1989.

Although Ram claims that Maret is not a participant in the trade finance pool because of its size, the commingling of STF funds with other Ram resources makes this unverifiable. Maret does not fall within the A.I.D./STF Agreement target group, and the average net capital investment per job is $21,000, comparable to a similar job in Western Europe.

A principal source of funding for Maret is Euro-Dollar debt, including $4.3 million in revolving short-term credit lines, guaranteed by Koç. The dollar lines helped Maret import cattle in 1987. However, the company has begun to obtain local cattle because of the unfavorable dollar terms of trade.

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: THAI VENTURE CAPITAL 940-002.71
PURPOSE: To establish a venture capital company in Thailand, to provide long-term capital, to transfer U.S. Tech. to Thailand, $3 Million

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT
Riverkwai International, Ltd.*	Food Processing	N	M/F	D/E	$80	C/E	130/40		H	Labor intensive exports
Thai Circuit Company, Ltd.*	Electronic Circuit Boards Mufctr.	N	M	D	$380	X	130/98		I	New Technology
Two other investments					$340					

As of December 1988

INSTITUTIONAL IMPACT

1. Established first venture capital company in Thailand. Served as model for 12 new venture-capital firms financed by Thai investors.
2. Provided long-term capital to new start-up companies.
3. USAID played major role in venture capital implementation in Thailand. USAID recognized as "sophisticated and innovative player in financial markets."
4. Means to promote U.S.-Thai joint-venture opportunities and technology transfer.

KEY

C	=	Construction	H	=	High
WC	=	Working Capital	M	=	Medium
E	=	Equipment	L	=	Low
I	=	Inputs			
X	=	Expansion			

1 Manufacture components for exported finished product.
* Site visit report attached

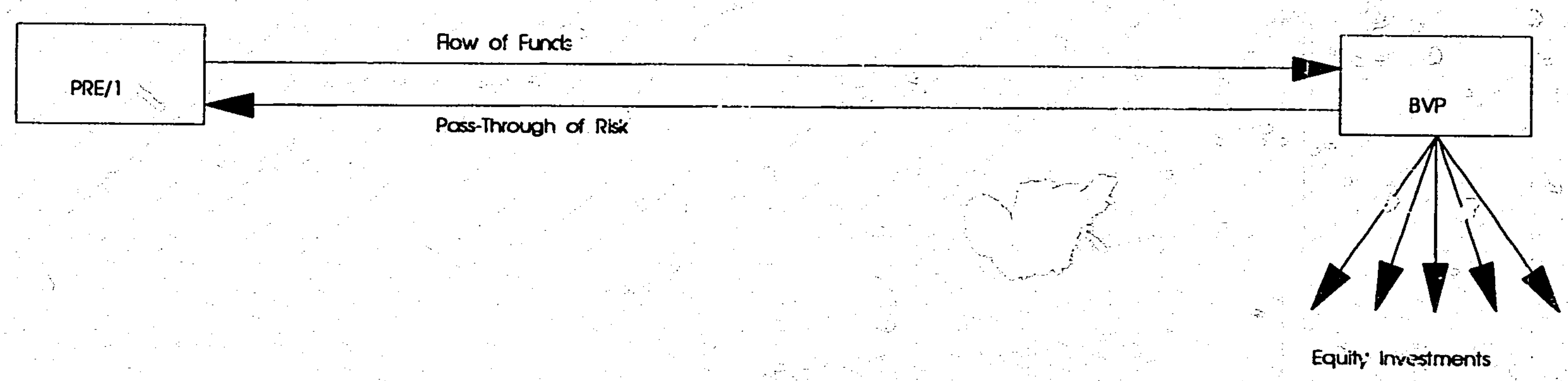
193

1547-026/01 (3/81)

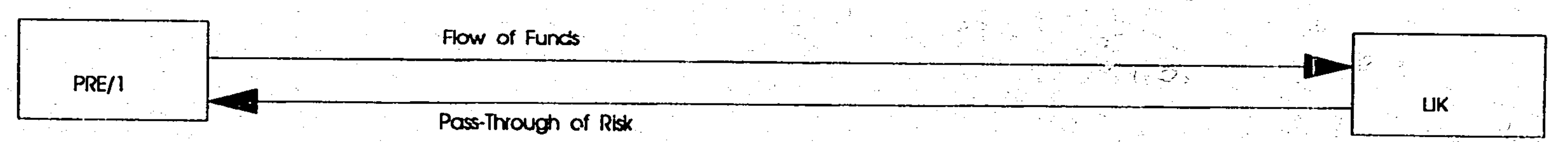
THAI VENTURE CAPITAL

FY'87

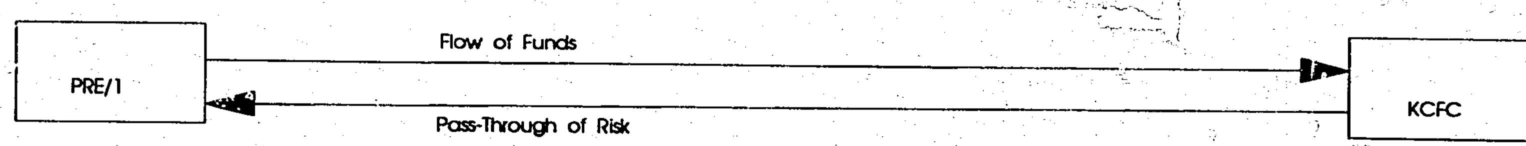
CATEGORY: Direct Loan Business - Private Enterprise



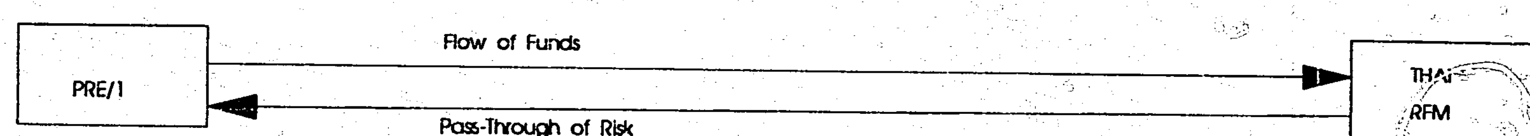
LEATHER INDUSTRIES OF KENYA:



KENYA COMMERCIAL FINANCE COMPANY:



THAI RFM COMPANY:



1547-007/D1
(2/91)

RIVER KWAI INTERNATIONAL, CO., LTD.

Loan Amount: $80,000

Purpose: Construct food-processing plant

River Kwai International, Co., Ltd, is a newly established food processing company located in a picturesque rural setting on the famous River Kwai 200 kilometers west of Bangkok. The plant, employing 130 people (mostly women), is in the business of canning baby corn, bamboo shoots, and water chestnuts.

The plant is managed by Ms. Sasinand, an experienced business woman who is both the General Manager and owner of 22 percent of River Kwai Company. She also owns a vegetable brokerage business and a small commodity trading company had has years of experience with the fruit and vegetable industry. Her production manager in the plant has ten years of food canning experience, and the company's Managing Director is an experienced businessman who owns a trading company.

Ms. Sasinand's husband originated the idea for the company because, in addition to starting a profitable business, he wanted to make an economic contribution to rural Kanchanaburi Province where he grew up. The couple's proposal to construct the plant became a reality when Siam Commercial Bank agreed to provide the loan funds and BVP agreed to provide equity.

The company was capitalized in December 1986 at 10 million baht (U.S. $400,000) with BVP buying 20 percent of the capital shares. The working capital loan of 9 million baht (U.S. $360,000) and a long-term building loan of 7 million baht (U.S. $280,000) are secured by the real estate, machinery, and equipment.

The financial package was enhanced by the promotional privileges granted to the company by the Thai Board of Investment - incentives including no import duties on machinery and equipment and a six-year income tax exemption.

Physical advantages of the company's setting include the River Kwai and the surrounding river valley which produces the high quality vegetables canned at the plant.

Most of the canned vegetables are exported. The European Economic Community represents 50 percent of the market for the canned vegetables, the U.S. an additional 30 percent, and Japan 20 percent. A Taiwanese food broker serves as the marketing outlet for the exported vegetables.

The company's financial projections show that the first year's operations will produce a return on equity in excess of 20 percent. The five-year projection for the internal rate of return is 16 percent. The supply of quality vegetables, water, and labor are factors which should assure that the projections are met.

THAI CIRCUIT COMPANY, LTD.

Loan Amount: $380,000

Purpose: Expand electronic circuitry plant

The Thai Circuit Company manufacturing plant is located in an industrial park 20 kilometers north of Bangkok. Production of printed circuit boards, the plant's only product, has not started, because several pieces of production equipment have not yet arrived from the U.S. The plant should begin operations by January 1989 and expectations are that the plant will be successful because of the strong demand in Thailand and abroad for printed circuits.

Darragh McClure, Thai Circuit's Managing Director, is an American with 16 years of experience in the electronics field. He has been in the circuit broad production business for ten years in Thailand, has lived in Thailand for 17 years and speaks Thai.

Thai Circuit is an excellent example of a new breed of business in Thailand: companies started by entrepreneurs with much technical expertise but little personal money to invest. In 1979 Mr. McClure started a small company in Thailand using state-of-the-art computer aided design techniques to produce prototype circuit boards. Because of the sophistication and expense of the technology, Mr. McClure's company needed to either expand or sell out to a larger company. In 1986 McClure and his local partners decided to expand their plant and form a new company, but they had very little capital to invest in the expansion. According to McClure, they "knocked on every door in Bangkok" to get financing and found none of the banks or finance companies willing to invest. Finally, a small investment bank, Manistee (Thailand) Ltd., introduced McClure and his partners to BVP.

The company was capitalized with the issuance of $1.06 million of equity, of which 36 percent was purchased by BVP. Thai Circuit's stock is presently listed on the over-the-counter market and will be a candidate for listing on the stock market if the company is successful.

The company obtained a 20 million baht ($800,000) line of credit at the Thai Farmers Bank to purchase equipment, a building loan from the same bank for 6 million baht ($240,000), and a bank overdraft limited to 5 million baht ($200,000). All credits are secured by a first mortgage on the land, building, machinery, and equipment.

To assist the company, the Thai Board of Investment granted promotional privileges to duty free machinery, a three-year exemption from one-half of all sales tax, and a six-year exemption from income tax.

Thai Circuit's competitive advantage lies in its use of computer aided design and production technologies. In the design area of the plant, a CAD program vividly outlines the minute circuitry for a prototype circuit board on a color monitor. This program is at the core of the company's ability to quickly respond to a customer's need for custom-built circuit boards. A large, computer-operated drill press is another sophisticated piece of equipment used in the manufacture of circuit boards. Until the rest of the plant's equipment is installed,

196

however, the company cannot fill any larger orders. Photographic equipment conveyor belts and other machines have been ordered, and when they arrive, production will begin. Thai Circuit's customers are all Thai-based electronics companies, and therefore the company has the advantage of freight and tariff barriers against foreign competitors.

Thai Circuit currently has 68 employees and hopes to bring this up to a total of 200, many of them women, once full production is reached. Because labor is cheap compared to the plant's equipment, the factory will operate 24 hours a day, thus maximizing the use of expensive equipment. Under this plan, workers will work only four ten-hour shifts per week.

Thai Circuit is projected to be profitable by the end of the first year and, at that time, to produce a net profit on equity of 43 percent. The internal rate of return over a five-year period is projected to be 50 percent. These ambitious projections could miss the mark if Mr. McClure's plant takes too long to come on line and customers now waiting to place orders find other sources of supply. The next six months will be a critical period for the company.

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: HEALTHLINK/PATH, [illegible]
AS OF: July 8, 1987

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
SUBBORROWER/ Location of Lending Bank	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT
VTU/Bk. Duta					$85					
Med. Ind. Co./Thai Farmers					$150					
MD (Thailand)/Thai Farmers					$155					
Wigindo/Bk. Duta					$200					

INSTITUTIONAL IMPACT

KEY

C = Construction		H = High	
WC = Working Capital		M = Medium	
E = Equipment		L = Low	
I = Inputs			
X = Expansion			

• Site visit report attached

1547-034/01
(3/91)

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: METROBANK, 482-S-083
AS OF: February 8, 1988

BORROWER	TYPE OF BUSINESS	PROFILE OF LOANS AND BORROWERS: NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE (000)	USE	DIRECT DEVELOPMENT IMPACT: JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT
C.S. Ramos					$139					
Rowen Manufacturing					$79					
Warba Aquafarms					$133					
Ad Bernardo Po					$34					
Basilio Aguilar					$32					
Great Asia Aquaculture					$22					
Rex R. Domingo					$14					
Sablayan Development					$23					
L.P. Plaza Construction					$74					
Sunlife Marketing					$23					
MB Fishing					$7					
A.O. Ramses					$56					

INSTITUTIONAL IMPACT

KEY

C = Construction		H = High	
WC = Working Capital		M = Medium	
E = Equipment		L = Low	
I = Inputs			
X = Expansion			
P = Purchase of Business			

1547-006/02
(3/91)

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: BANK OF THE PHILIPPINE ISLANDS, 4[illegible]-S-004
AS OF: January 18, 1990

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE (000)	USE	JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT
Julian La'o	Prawn/Bangus Farming	E	M/F	D/E	$197	WC	2/0 est.	10% est.	L	
Demontaño	Prawn Culture	E	M/F	D/E	$457	C/E	38/5 est.	1,067% est.	H	
KEH	Prawn Culture	E	M/F	D/E	$82	C/WC	9/0 est.	217% est.	L	
Five Jewels Corporation	Piggery	N	M	D	$182	C/WC	16/2 est.	Infinite (est.)		
El Puerco	Piggery	N	M	D	$364	C/WC	27/3 est.	Infinite (est.)		

INSTITUTIONAL IMPACT

KEY

C	=	Construction	H	=	High
WC	=	Working Capital	M	=	Medium
E	=	Equipment	L	=	Low
I	=	Inputs			
X	=	Expansion			

* Site visit report attached

1547 031/01
(3/91)

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: EDESA, [illegible]-020
AS OF: December [illegible], [illegible]

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE (000)	USE	JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT
WARIDI (2)	Flower Cultivation	E	M	E	$450	X/E	21/16 est.	100% est.	H	
Leasing & Finance Co.	Financing & Leasing	N	M	D	$500	WC	N/A	N/A		Import of U.S. Trucks, Cars, & Agricultural Machinery
WDC Ltd.	Purchasing & Leasing	E	M	D	$500	WC	N/A	10% est.		Import of U.S. Vehicles & Agricultural Machinery
Echo Bravo	Hydroponic Farming	N	M	D/E	$140	E	14/2 est.	20% est.	M	
ROSBON	Horticultural & Poultry	N	M	D	$190	C	27/7 est.	15% est.		
LINGADZI	Horticultural Farming	N	M	D/E	$250	C	200/50 est.	100% est.	L	
WARIDI (1)	Flower Cultivation	N	M	E	$220	C	25/18 est.	N/A	H	
ASP Company	Steel Fabricator	E	M	D/E	$500	E	120/0 est.	30% est.	L	

INSTITUTIONAL IMPACT

KEY
- C = Construction
- WC = Working Capital
- E = Equipment
- I = Inputs
- X = Expansion
- H = High
- M = Medium
- L = Low

• Site visit report attached

1547 000/01
(3/81)

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: CAIRO AMMAN BANK, 278-0-024
AS OF: February 4, 1991

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT				
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE (000)	USE	JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT	INSTITUTIONAL IMPACT
Othman Saleh	Textile Processing	N (former)	M	D/E	$40	E	13/10 est.	20% est.	L		
Almansoura	Industrial Manufacturing	N (former)		D/E	$74	E/WC	30/6 est.	20% est.	H		

KEY

C =	Construction	H =	High
WC =	Working Capital	M =	Medium
E =	Equipment	L =	Low
I =	Inputs		
X =	Expansion		

- Site visit report attached

1547 028/01
(3/91)

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: UNION OF BOLIVIAN BANKS, 511-[illegible]-072
AS OF: April 13, 19[illegible]

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT			
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT
COROICO	Agriculture				$20					
YOLOSA	Agriculture				$7					
San Pedro	Agriculture				$26					
Menduiña	Services		M		$15					
Aramayo	Commercial		F		$10					
COPAGA	Commercial				$54					
Marañón	Commercial		M		$20					
Condori	Commercial		F		$35					
CIRECO	Industrial				$60					
Stefano's	Food Service				$150					
ANDEXPORT	Exports/Imports				$70					
Antelo	Agriculture		M		$48					
INGENA	Industrial				$83					
Panificadora (Guadalupe)	Crafts				$21					
Panificadora Victoria	Crafts				$10					
Fabrica de Calzados	Crafts				$4					
Heinrich Kehler	Agriculture		M		$15					
Franz Fehr	Agriculture		M		$15					

INSTITUTIONAL IMPACT

KEY

C = Construction		H = High	
WC = Working Capital		M = Medium	
E = Equipment		L = Low	
I = Inputs			
X = Expansion			

* Site visit report attached

1547-033(D)
(3/81)

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: UNION OF BOLIVIAN BANKS, 511-0-572
AS OF: April 18, [illegible]

BORROWER	TYPE OF BUSINESS	PROFILE OF LOANS AND BORROWERS: NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE ($000)	USE	DIRECT DEVELOPMENT IMPACT: JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT
Cornelius Fehr	Agriculture		M		$15					
Pedro Fehr	Agriculture		M		$15					
Franz Friessen	Agriculture		M		$15					
Enrique Rempell	Agriculture		M		$15					
Neven Pacheco	Agriculture		M		$20					
Alberto Choque	Agriculture		M		$27					
Avelino Valdiviezo	Agriculture		M		$17					
Angel Cruz	Agriculture		M		$12					
José Vallejos	Agriculture		M		$12					
Juan Quispe	Agriculture		M		$10					
Julio Choque	Agriculture		M		$10					
Gilberto Vaca	Agriculture		M		$26					
Gregorio Wallpara	Agriculture		M		$7					
Ruben Ulo	Agriculture		M		$18					
Pelo Blanco	Pecuaria				$30					
VISUR	Agriculture				$100					
TITICACA	Pecuaria				$150					
Grupo Agroindustriales	Agro Industry				$53					

INSTITUTIONAL IMPACT

KEY

C = Construction		H = High	
WC = Working Capital		M = Medium	
E = Equipment		L = Low	
I = Inputs			
X = Expansion			

* Site visit report attached

1547-033/01
(3/91)

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: UNION OF BOLIVIAN BANKS, 511-S-072
AS OF: April 13, 1996

		PROFILE OF LOANS AND BORROWERS					DIRECT DEVELOPMENT IMPACT				INSTITUTIONAL IMPACT
BORROWER	TYPE OF BUSINESS	NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE (000)	USE	JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT	
Cornelius Fehr	Agriculture		M		$20						
Franz Smitt	Agriculture		M		$20						
Diedrich Sawasky	Agriculture		M		$20						
Franz Peters	Agriculture		M		$18						
Johan Lassen	Agriculture		M		$15						
Jose Martens	Agriculture		M		$18						
Herman Bergen	Agriculture		M		$20						
Gerardo Bergen	Agriculture		M		$20						
Abraham Goertz	Agriculture		M		$18						
Peter (H.) Wiebe	Agriculture		M		$20						
Herman Froesse	Agriculture		M		$18						
Peter (F.) Wiebe	Agriculture		M		$18						
Bernardo Goertz	Agriculture		M		$15						
Henri Thiessen	Agriculture		M		$15						
Andres Wiebe	Agriculture		M		$15						
Gerardo Kiebert	Agriculture		M		$15						
Henri Wiebe	Agriculture		M		$15						
Johan Fehr	Agriculture		M		$15						

KEY

C = Construction		H = High	
WC = Working Capital		M = Medium	
E = Equipment		L = Low	
I = Inputs			
X = Expansion			

• Site visit report attached

1547 033/01
(3/91)

APRE/I INSTITUTIONAL AND DIRECT DEVELOPMENT IMPACT MATRIX
Subborrower Detail

INSTITUTION: UNION OF BOLIVIAN BANKS, 511-S-072
AS OF: April 13, 19[illegible]

BORROWER	TYPE OF BUSINESS	PROFILE OF LOANS AND BORROWERS: NEW/ EXIST CLIENT	GENDER OF OWNER	DOMESTIC/ EXPORT	LOAN SIZE (000)	USE	DIRECT DEVELOPMENT IMPACT: JOBS/ FEMALE	+% SALES	EXPORTS	OTHER/ IMPORT	INSTITUTIONAL IMPACT
Amos Buecker	Agriculture		M		$15						
Isaac Fehr	Agriculture		M		$15						
Jacobs Peters	Agriculture		M		$18						
Jacobs Neufeld	Agriculture		M		$18						
Abraham Elias	Agriculture		M		$15						
Johan Groenning	Agriculture				$18						
Aron Froesse	Agriculture		M		$15						
Jacobs Klasse	Agriculture		M		$15						
Cornelius Giesb	Agriculture		M		$18						
Franz Fehr	Agriculture		M		$18						
Cornelius Fores	Agriculture		M		$20						
Tiendas Bolivianas	Crafts				$10						
Victor Jauregui	Crafts		M		$8						
Ind. Boliviana Espuma	Industry				$10						
Taller Universal	Crafts				$23						
FERBA	Industry				$21						
Industrias Festival	Industry				$57						

KEY

C	=	Construction	H	=	High
WC	=	Working Capital	M	=	Medium
E	=	Equipment	L	=	Low
I	=	Inputs			
X	=	Expansion			

- Site visit report attached

1547-033/01
(3/91)